

DECEMBER 1983

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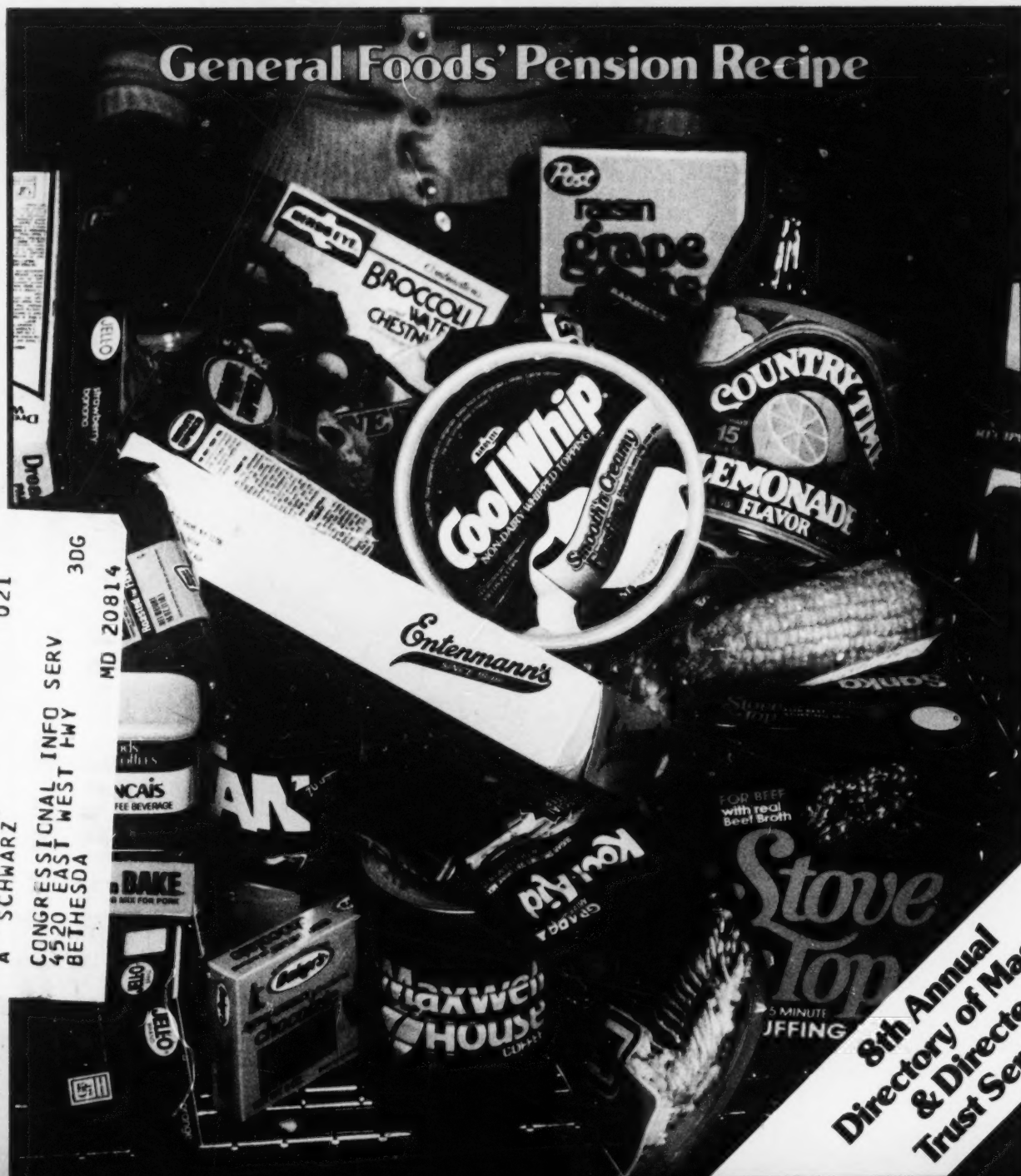
Pension World

The Magazine for Plan Sponsors and Investment Managers/ A Publication of Communication Channels, Inc.

Master Trust as a Management System

Profile: Mercantile-Safe Deposit

General Foods' Pension Recipe



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8th Annual Directory of Master & Directed Trust Services

Pension World

December 1983
Volume 19 Number 12

The Magazine for Plan Sponsors and Investment Managers/A Publication of Communication Channels, Inc.

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The producer of many well-known food items carries its success story over to its pension plan by using a mixture of consistent funding with a flexible investment strategy. The assistant treasurer and the manager of benefit trust funds explain what makes the plan work.
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- Pension World Basics: Mortgage-backed securities—How do they compare?** by Charles Reed **53**
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- Eighth Annual Directory of Master and Directed Trust Services** **57**
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Cover: Many popular, well-known brands overflow a grocery cart filled with General Foods products. The company's story of its pension fund investments begins on page 11.

Cover photo by Diana H.P. Roberts

Store setting provided by The Kroger Co.

BPA

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Real estate again exceeds inflation

■ The FRC Property Index, the only real estate performance yardstick introduced in the U.S., has compiled comprehensive data showing that the performance of tax-exempt institutional real estate portfolios during the first half of 1983 has continued to exceed inflation. (See accompanying chart.)

The Index is the result of a five-year effort by a group of real estate investment managers to develop an aggregate, historical rate-of-return index for non-leveraged, income-producing properties held in tax-exempt pension and profit-sharing trust portfolios. This economic indicator is published jointly by the National Council of Real Estate Investment Fiduciaries (NCREIF) and the Frank Russell Company. NCREIF members, including banks, insurance companies, and private fund managers, provide the raw data needed to derive the Index. The Frank Russell Company collects, verifies, and stores all

property data and does all of the Index return calculations and publication.

Through the use of graphs, tables, indexes, and subindexes, the Index provides time-weighted performance returns by both property type and geographic region; breaks down market value and number of properties by type; and breaks out property distribution and market value by geographic region.

The data base currently consists of 835 urban properties with a market value in excess of \$5.5 billion: office buildings, industrial facilities, shopping centers, hotels, and apartment complexes. All assets included in the Index have been acquired on an all-cash basis so that the data base has no leverage component.

The Index is available on a subscription basis. For more information contact William Wendt of NCREIF, Park Avenue Plaza, New York, N.Y.

**FRC Property Index Rates of Return
Jan.—June 1983**

	1983 Jan.—June	1978—83 Annual Avg.
All Regions	4.5%	15.7%
East	5.4	20.2
Midwest	3.6	10.5
South	3.5	14.0
West	5.0	17.3
All Properties	4.5%	15.7%
Apartments	6.0	18.6
Shopping Centers	5.5	10.9
Hotels	6.7	24.4
Industrial	4.4	14.8
Office	3.8	18.7

Health care promoted at CIBA-GEIGY Corp.

■ CIBA-GEIGY Corp., Ardsley, N.Y., has started a corporate-wide health care management program to contain rising health care costs while simultaneously encouraging better health care habits among its 13,000 employees and their families. Entitled "Takin' Care," the program includes changes in medical benefits, improvements in employee health services, and greater external involvement in health care issues.

Three separate components make

up this health care management program—medical benefit plan design and administration changes, intended to further improve the quality and cost-effectiveness of CIBA-GEIGY's medical benefits; health improvement programs, designed to assist employees in illness prevention, maintenance of healthy life-styles, and more informed use of health care services; and increased external health care involvement by the company, which includes employee participation in local, state, and Federal legislative discussions, medical/business coalitions, and as trustees on local hospital boards.

Short-term portfolios show best results

■ Short-term portfolios had the best investment results during the third quarter of 1983 according to the TUCS database. Cash funds earned 2.4 percent and bond portfolios were also up 1.2 percent while the median equity portfolio was down -1.5 percent.

For the first nine months of 1983, equity managers averaged 20.9 percent returns, balanced funds averaged 13.6 percent, and the median fixed-income portfolios lagged at 5.7 percent. During that period, the S&P 500 return was up 22.1 percent and the Lehman Bond Index earned 6.4 percent.

The last year proved to be a difficult investment environment, with the median equity portfolio underperforming the S&P 500 return of 44 percent, and the median bond portfolio underperforming the Lehman Bond Index of 15.3 percent.

However, over longer periods, active managers have added significant value to retirement funds. Over five years, the median equity portfolio earned 17.4 percent annually versus the S&P 500 return of 15.9 percent, and the median bond portfolio earned 9.9 percent versus the Lehman Index of 9.2 percent.

TUCS is a database of over 3,300 investment portfolios, representing nearly 400 money management firms and \$208 billion in assets. Thirty-four banks and insurance companies participate in TUCS.

Greenwich office opens for Lehndorff & Babson

■ Lehndorff & Babson Real Estate Counsel, Inc., headquartered in Dallas, Tex., has opened an office in Greenwich, Conn.

The new Greenwich office is headed by John F. Malloy, vice president for marketing and client relations. Malloy joined Lehndorff & Babson from the Equitable Life Assurance Society, New York.

Lehndorff & Babson Real Estate Counsel, a joint venture of the Lehndorff Group, manages real estate portfolios of institutional clients, primarily corporate and public pension plans.



8th Annual Directory of Master and Directed Trust Services

The following *Pension World* Directory is a listing of firms indicating that they offer master and/or directed trusts. It is not an exhaustive list, but rather identifies the firms that responded in full to *Pension World's* questionnaire.

During September, 1983, the questionnaire was mailed to 731 U.S. banks and trust companies. Of the 106 responses, 77 firms indicated that they offer master and/or directed trusts.

Master Trust continues to be defined in individual ways by the banks and trust companies offering this service. A technical definition, according to several authorities in the corporate trust industry, is a trust in which *multiple* plans of the same company or control share investment experience under *one trust document*. In working terms, however, some of the definitions used for master trust include: 1) an arrangement under one trust agreement that includes multiple money managers, one of which may or may not be the trustee; 2) a pooling of one sponsor's assets, which may include multiple managers and *one* or more plans, under one trust document; or 3) a pooling of directed trusts.

Similarly, several different definitions are given to the term *directed trust*. The general definition is a trust under which the trustee has less than full managerial authority of the plan sponsor's assets. However, the term is often used synonymously with *directed portfolio*, in which a manager has the authority to direct only those investments within the particular portion of assets under his direct control; and it is sometimes associated with *general trust*, in which a separate trust agreement is written for that portion of assets under the manager's control.

Recognizing this, figures gleaned in the following survey are not always comparable, although *Pension World* has taken every precaution to present these data in their most accurate form. All information in the directory was provided by the banks and trust companies listed. *Pension World* appreciates the efforts of those who completed and returned the questionnaires and hopes that each year's directory will continue to be more comprehensive.

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Ahmanson Trust Co. 3701 Wilshire Boulevard Suite 1000 Los Angeles, CA 90010 Contact: Richard A. Kanner/ V.P. & T.O. 213/487-2680	4	83	\$68.4	\$142.6	\$28.2	\$166.8
Services Provided: Portfolio review, ERISA disclosure assistance, benefit disbursement						
American Trust & Savings Bank 895 Town Clock Plaza Dubuque, IA 52004-0938 Contact: Paul R. Jaeger/ Assist. T.O. 319/582-1841	0	71	0	\$24.8	\$17.3	\$42.1
Services Provided: Portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement, market inventory fund						
American Trust Co. of Hawaii, Inc. 841 Bishop Street Ste. 1203 Honolulu, HI 96813 Contact: Robert F. Midkiff/ President 800/367-5210	16	n/a	\$126	\$148	\$547	\$695
Services Provided: Performance measurement, participant recordkeeping, ERISA disclosure assistance, benefit disbursement, loan processing, estate planning, special investments, personal trusts, land trusts, short-term investment fund, ESOP's						
AmeriTrust Co. 900 Euclid Ave. Cleveland, OH 44101 Contact: James H. McInerney, Jr./V.P. 216/687-2798	22	32	\$2,600	\$250	\$100	\$5,600
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund						
Bank of America, NT & SA Dept. 9032 555 California Street San Francisco, CA 94104 Contact: Carole A. Swartz/ V.P., Sales & Mktg. 415/622-5238	23	825	\$8,000	\$5,000	\$3,000	\$18,000
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, general consulting, manager selection						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Portfolios per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
170	50	Not Reported	Contractual settlement date	No	Federated money market trust	5th day after month-end	By 10th after period-end
Crediting Dividend and Interest Policy: Automatic on payable date Fee Structure: Based on combination of asset value and individual services							
117	61	39	Contractual settlement date	No	Federated cash management system for short-term U.S. gov't obligations	Month-end	15 days after plan year-end, quarter-end, or month-end
Crediting Dividend and Interest Policy: Computer credit on payable date Fee Structure: Based on individual services performed							
n/a	240	n/a	Trade date (full accrual)	No	Federally insured bank and savings & loan CD's, passbook accounts, and cash as well as overnight bank repurchase agreements	Monthly	Monthly
Crediting Dividend and Interest Policy: Direct credit to account on pay date plus two Fee Structure: Based on combination of asset value and individual services							
140	7	25	Contractual settlement date with pending adjustment, actual delivery date	No	STIF, variable demand notes, CD's, T-bills, commercial paper	5th business day	3-5 business days after month-end
Crediting Dividend and Interest Policy: In good funds on payable date Fee Structure: Based on combination of asset value and individual services, investment management, real estate, TUCS, 401(k) plans, PAYSOP's							
2800	10-25	3-16	Trade date (full accrual), contractual settlement date with pending adjustment, contractual settlement date, actual delivery date	Yes	Bank of America STIF, money market investments	1st business day of month	5th to 15th business day
Crediting Dividend and Interest Policy: Clearinghouse funds on payable date Fee Structure: Based on combination of asset value and individual services, certain single flat fees							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Bank of New England 28 State Street, 12th Floor Boston, MA 02106 Contact: Joyce A. Braudel/ Assist. V.P. 617/973-1913	4	38	\$120.2	\$257.1	\$125	\$726
Services Provided: Performance measurement, portfolio analysis, participant recordkeeping, benefit disbursement						
The Bank of New York 48 Wall Street-3A New York, NY 10010 Contact: Richard R. Smith/ V.P. 212/530-1353	44	n/a	\$4,903	n/a	\$7,000	\$11,903
Services Provided: Performance measurement, portfolio analysis, portfolio review, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, on-line inquiry, global custody, options/future administration						
Bank of Oklahoma, N.A. P.O. Box 2300 Tulsa, OK 74192 Contact: Phillip J. Owings/ V.P. & T.O. 918/588-6443	4	20	\$385	\$440	\$358	\$1,300
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement, automatic cash management, GIC's						
Bank One, Dayton, N.A. Kettering Tower Dayton, OH 45401 Contact: C.T. Warriner/V.P. 513/449-8718	8	18	\$307	\$262	\$28.4	\$492
Services Provided: Performance measurement, portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement, zero-balance benefit disbursement for master trusts						
Bankers Trust Co. 280 Park Ave. P.O. Box 318 New York, NY 10015 Contact: Lynne Stewart Minard/V.P. 212/850-2082	104	158	\$46,300	\$3,800	\$62,000	\$70,000 (Includes Thrift)
Services Provided: Performance measurement, portfolio analysis, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, global custody, remote on-line access, consulting, thrift services, active & passive investment services						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Portfolios per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
36	20	36	Trade date (full accrual), contractual settlement date with pending adjustment, contractual settlement date	No	Short-term reserve fund, demand notes	1st of following month	5 business days
Crediting Dividend and Interest Policy: Automatic on payable date Fee Structure: Based on combination of asset value and individual services							
Not reported	5-10	Not reported	Trade date (full accrual), contractual settlement date with pending adjustment, contractual settlement date, actual delivery date	Not reported	STIF-domestic and foreign, master notes	Daily	2-7 days
Crediting Dividend and Interest Policy: Fed funds on payable date Fee Structure: Based on combination of asset value and individual services							
42	7	1	Trade date (full accrual), contractual settlement date	No	In-house STIF, master notes, money funds, commercial paper, T-bills, CD's	2nd day of month	2-7 business days after month-end
Crediting Dividend and Interest Policy: Automatic computer credit on payable date Fee Structure: Based on combination of asset value and individual services							
58	20	Not reported	Contractual settlement date with pending adjustment	Yes	STIF, T-bills, commercial paper	Month-end	3-7 business days for interim reports; 7-25 business days for annual reports
Crediting Dividend and Interest Policy: Clearinghouse funds and collected funds on payable date Fee Structure: Based on combination of asset value and individual services							
2400	13	43	Trade date (full accrual), contractual settlement date with pending adjustment, contractual settlement date, actual delivery date	Yes	Master notes, commercial paper, CD's (domestic and Euro), time deposits, repos, BA's	1st business day of each month	3-5 business days after close of reporting period
Crediting Dividend and Interest Policy: Fed funds on payable date Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Boston Safe Deposit & Trust Co. One Boston Place Boston, MA 02106 Contact: Thomas J. Lucay/Sr. V.P. 617/722-7000	28	216	\$21,016	\$817	Not reported	\$21,833
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, on-line analytical time-sharing, micro-analytics via personal computer, global custody, options accounting, financial futures, asset allocation, manager monitoring, consulting						
California Canadian Bank 340 Pine Street San Francisco, CA 94104 Contact: Raymond Love/V.P. 415/362-5210	8	100	\$300	\$100	0	\$400
Services Provided: Performance measurement (after 6/1/84), portfolio analysis, portfolio review, participant recordkeeping (through allied company), securities lending, ERISA disclosure assistance, benefit disbursement						
California First Bank 530 B Street, Trust Dept. San Diego, CA 92101 Contact: Charles F. Bevan/ V.P. 619/230-4947	None	1,175	None	\$343	3	\$428.7
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement						
Centerre Trust Co. of St. Louis 510 Locust Street St. Louis, MO 63101 Contact: Robert E. Innocenti/ V.P. & Master Trust Prod. Mgr. 314/231-9300	9	17	\$885	\$290	\$500	\$3,600
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, on-line inquiry system, TUCS						
The Chase Manhattan Bank N.A. 1211 Avenue of the Americas 33rd Floor New York, NY 10036 Contact: Douglas R. Young/ V.P. 212/730-3158	85	30	\$55,000	\$10,000	\$20,000	\$91,000
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, options index fund, international index fund, specialized fund, global custody, multi-currency accounting						
Citibank, N.A. One Citicorp Center 153 East 53rd Street New York, NY 10043 Contact: Jeffrey L. Maier/V.P. 212/559-1523	26	68	\$28,488	\$5,531	\$5,026	\$39,045
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, global custody, multi-currency reporting, recordkeeping for 401(k) plans, EFT benefit payments, on-line and customized reporting, TUCS comparisons						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Portfolios per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
308	3	12	Trade date (full accrual), contractual settlement date	Yes	STIF, money market fund, reserve deposit account	Accrued daily and credited monthly	5-7 business days after period-end
Crediting Dividend and Interest Policy: Fed funds or clearinghouse funds on payable date Fee Structure: Based on combination of asset value and individual services							
6	15-20	2-3	Trade date (full accrual)	No	Trust funds, liquid asset, trust treasury, agency, commercial & prime obligations portfolios	1st of each month	Standard- 5-7 days, Master trust- 10-14 days after month-end
Crediting Dividend and Interest Policy: Good funds on date due Fee Structure: Based on combination of asset value and individual services							
7	225	12	Not reported	No	STIF	At the end of each month	Distributed within 10 days
Crediting Dividend and Interest Policy: Cash transfer to trust on payable date Fee Structure: Based on combination of asset value and individual services							
85	5 clients	26	Trade date (full accrual), contractual settlement date	Yes	In-house STIF	2nd day following month	5-7 working days
Crediting Dividend and Interest Policy: Computer system credit for immediate investment on payable date Fee Structure: Based on combination of asset value and individual services							
900	6-11	30	Trade date (full accrual), contractual settlement date with pending adjustment	Yes	STIF (domestic, int'l), master notes, commercial paper, T-bills	End of the month	8th business day after month-end
Crediting Dividend and Interest Policy: On payable date Fee Structure: Based on individual services performed							
931	30	25	Trade date (full accrual), contractual settlement date	Yes	Liquid reserve fund, STIF, demand notes, individual money market instruments	Mid-month and month-end	3-5 business days after receipt of all trade info.
Crediting Dividend and Interest Policy: Good funds immediately-available for reinvestment on payable date for Fed funds payments; payable date plus one for clearinghouse payments Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
The Citizens & Southern National Bank 33 North Ave., N.E. Suite 1000 Atlanta, GA 30302 Contact: Edgar R. Smith/V.P. 404/581-3617	15	80	\$450	\$2,500	\$381	\$4,000 +
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, on-line terminal						
Citizens Union National Bank & Trust Co. Citizens Bank Square Vine & Upper Streets Lexington, KY 40507 Contact: Brenda M. Tucker/ T.O. 606/254-1112	None	8	n/a	\$2.7	n/a	\$16.1
Services Provided: Performance measurement, portfolio analysis, portfolio review, benefit disbursement						
City National Bank of Miami/ Trust Dept. P.O. Box 013280 Miami, FL 33101 Contact: David Buznego/ Corp. T.O. 305/577-7248	2	3	\$8.5	\$5	\$11.9	\$20.4
Services Provided: Portfolio analysis, portfolio review, participant recordkeeping, benefit disbursement						
Citytrust 961 Main Street Bridgeport, CT 06601 Contact: Leslie Revzon/V.P. 201/384-5538	1	18	\$28	\$42	\$12	\$251
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement						
Commerce Bank of Kansas City, N.A. 922 Walnut Kansas City, MO 64141 Contact: Joseph A Burkart/ V.P. 816/234-2551	3	91	\$50.2	\$459.9	\$29	\$685.1
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement, automatic cash management						
Connecticut Bank & Trust Co., N.A. One Constitution Plaza Hartford, CT 06115 Contact: Richard E. Holbrook/V.P. & Mgr. Employee Benefit Trust 203/244-5030	12	34	\$201	\$417.3	\$831.4	\$1,125
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, 401(k) testing, plan advice						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Portfolios per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
400	125	12	Trade date (full accrual), contractual settlement date with pending adjustment, contractual settlement date, actual delivery date	Yes	Daily money market funds, money asset vans, fed funds, cash management fund	Payable date	5 working days
Crediting Dividend and Interest Policy: Credited to account immediately on payable date Fee Structure: Based on combination of asset value and individual services							
36	36	36	Actual delivery date	No	Federated funds	First of month	—
Crediting Dividend and Interest Policy: By check on date received Fee Structure: Based on combination of asset value and individual services							
4	All	All	Contractual settlement date	Yes	T-bills, repos, commercial paper	At maturity	Monthly
Crediting Dividend and Interest Policy: Automated credit on payment date Fee Structure: Based on combination of asset value and individual services							
27	6	Not reported	Contractual settlement date with pending adjustment	Yes	Money market funds, institutional liquid assets	3rd day of month	Not Reported
Crediting Dividend and Interest Policy: Not Reported Fee Structure: Based on combination of asset value and individual services							
98	52	10	Trade date (full accrual), contractual settlement date with pending adjustment	No	Master notes, liquid asset fund, gov't securities, CD's, commercial paper, gov't notes, Treasury fund	1st business day of month	Master trusts- 10th; directed trusts- 15th
Crediting Dividend and Interest Policy: Automatic credit via trust system payable date Fee Structure: Based on combination of asset value and individual services							
120	20	40	Contractual settlement date with pending adjustment	Yes	Master notes, VIN's, STIF, commercial paper, CD's	Last business day of month	10-20 working days
Crediting Dividend and Interest Policy: Contractual on payable date Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Continental Illinois National Bank and Trust Co. of Chicago 30 North LaSalle Street Chicago, IL 60697 Contact: Harvey M. Rosenfeld/V.P. 312/828-1283	38	52	\$7,775	\$1,072	\$1,454	\$14,201
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, asset/liability modeling, electronic mail/remote inquiry, automated cash management, global custody, cash projection						
Crocker National Bank 333 South Grand Avenue Los Angeles, CA 90071 Contact: Adele H. Berwanger/ V.P. & Dir. 213/253-3223	137	430	\$2,720	\$3,809	\$2,700	\$9,000
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, guaranteed asset fund—by end of 1983						
The Fifth Third Bank Trust Department #00850 Fifth Third Center Cincinnati, OH 45263 Contact: Stephen E. Root/ T.O. 513/579-5493	2	26	\$12	\$48	\$94	\$726
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, benefit disbursement						
First Bank of South Dakota, N.A. P.O. Box 1308 Sioux Falls, SD 57117 Contact: Robert E. Leech/Sr. V.P. & T.O. 605/339-8685	0	35	0	\$13.5	0	\$44
Services Provided: Portfolio analysis, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
First City National Bank of Houston 909 Fannin Street P.O. Box 809 Houston, TX 77001 Contact: Terry Lambert/V.P. 713/658-6705	5	62	\$582	\$968	\$1,300	\$3,100
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement						
First Interstate Bank of Casper, N.A. Trust Department P.O. Box 40 Casper, WY 82602 Contact: John McAteer/V.P. & T.O. 307/235-4201	0	390	0	\$38.7	\$3.6	\$42.3
Services Provided: Portfolio analysis, portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Portfolios per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
351	18-20	40	Trade date (full accrual), contractual settlement date with pending adjustment, contractual settlement date, actual delivery date	Yes	STIF, master notes, open-time deposits	1st day of month	Investment review & cash/ activity statements within 5 business days/ Fund accounting schedules within 20 business days
Crediting Dividend and Interest Policy: Fed funds on payable date Fee Structure: Based on combination of asset value and individual services							
1,736(Avg.)	16	n/a	Trade date (full accrual), contractual settlement date	Yes	CNB STIF, individual securities, money market funds	End of month	10th business day after month-end
Crediting Dividend and Interest Policy: Good funds on payable date Fee Structure: Based on combination of asset value and individual services							
75	15	1	Contractual settlement date	No	Master demand notes, T-bills, commercial paper, STIF	1st business day of month	Within 10 days after reporting period-end
Crediting Dividend and Interest Policy: Credit account on payable date Fee Structure: Based on combination of asset value and individual services							
120	120	3	Contractual settlement date with pending adjustment	Yes	Federated master trust, Federated trust for U.S. Treasury obligations	7th working day of the month	4 business days after month-end
Crediting Dividend and Interest Policy: Credit to account on pay date Fee Structure: Based on combination of asset value and individual services							
75	13	15	Contractual settlement date	No	Short-term Investment Co.- registered security	Daily-monthly posting	Within 10 business days after month-end
Crediting Dividend and Interest Policy: Credit to account on contractual settlement date Fee Structure: Based on combination of asset value and individual services							
112	195	150	Trade date (full accrual)	Yes	Dreyfus & Federated money market funds	By 5th of month	Monthly by 10th
Crediting Dividend and Interest Policy: Automatic cash sweep of \$100 or more on payable date Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
First Interstate Bank of Denver, N.A. P.O. Box 5825 633 17th Street Denver, CO 80217 Contact: Karen Stephens/V.P. 303/293-2211	12	12	\$575	\$45	n/a	\$1,240
Services Provided: Performance measurement, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
First Interstate Bank of Washington First Interstate Center P.O. Box 21927 Seattle, WA 98111 Contact: James Layton/A.V.P. & T.O. 206/292-3731	0	28	0	\$336	\$255	\$691
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement						
First National Bank of Chicago 3 First National Plaza, Suite 0150 Chicago, IL 60670 Contact: Jack Kausal/Master Trust Mktg. 312/732-7610	41	27	\$4,500	\$3,800	\$300	\$14,000
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, plan accounting, global custody, universe comparison, asset allocation						
The First National Bank of Kansas City 10th and Baltimore P.O. Box 38 Kansas City, MO 64183 Contact: Lyle W. Brizendine/ V.P. 816/221-2800	4	6	\$140	\$306	\$192	\$842
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement						
First National Bank of Maryland 25 S. Charles Street Baltimore, MD 21201 Contact: Robert Wood/Sr. V.P. & Sr. T.I.O. 301/244-4610	0	13	0	\$36.6	\$3,575	\$3,612
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, benefit disbursement						
First National Bank of Minneapolis 120 South Sixth Street Minneapolis, MN 55480 Contact: Thomas S. Kalbrener/Corp. T. Mktg. O. 612/370-4474	6	100	\$200	\$600	\$2,650	\$2,650
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Portfolios per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
92	6	2	Trade date (full accrual)	No	West Core Funds, Inc.	First business day of month	6-10 business days from period-end
Crediting Dividend and Interest Policy: On payable date Fee Structure: Based on combination of asset value and individual services							
67	20	11	Trade date (full accrual), contractual settlement date	Not reported	In-house STIF, federated money market fund	Not reported	Within 10 days of end of accounting period
Crediting Dividend and Interest Policy: Credited to account on payment date Fee Structure: Based on combination of asset value and individual services							
256	12	20	Trade date (full accrual)	Yes	STIF	3rd business day after month-end	8-10 business days
Crediting Dividend and Interest Policy: Good funds on payable date Fee Structure: Based on combination of asset value and individual services							
290	95	3-5	Contractual settlement date with pending adjustment	No	Federated master trust, federated short-term gov't securities fund	3rd or 4th business day of each month	5-7 days
Crediting Dividend and Interest Policy: Immediate credit on scheduled pay date Fee Structure: Based on combination of asset value and individual services							
15	13	2	Actual delivery date	No	Variable money market funds	Approx. 5 days after month-end	Monthly statements-21 days; annual statements-45 days
Crediting Dividend and Interest Policy: On payable date Fee Structure: Based on combination of asset value and individual services							
100	15-40	15-40	Trade date (full accrual), contractual settlement date	No	Master notes, CD's, T-bills, commercial paper, pooled short-term funds	3rd business day following month-end	3rd business day following month-end
Crediting Dividend and Interest Policy: On payable date Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
First Pennsylvania Bank, N.A. 15th & Chestnut Streets Packard Building, 7th Floor Philadelphia, PA 19101 Contact: Francis P. Mitchell/ V.P. 215/786-8765	17	52	\$1,500	\$1,200	\$8,500	\$11,200
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, global custody						
First Security Bank of Idaho, N.A. P.O. Box 2618 Boise, ID 83616 Contact: Mark A. Simonson/ T.O. 208/338-2032	1	20	\$52	\$22.5	\$22	\$181
Services Provided: Portfolio analysis, portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
First Trust Co. of St. Paul W-555 First National Bank Building St. Paul, MN 55101 Contact: Roger Schaeffer/ V.P. 612/291-5100	8	25	\$2,050	\$250	\$100	\$3,500
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, objective setting, TUCS						
First Wisconsin Trust Co. 777 East Wisconsin Ave. P.O. Box 2054 Milwaukee, WI 53201 Contact: A. Paul Jones/V.P. 414/765-5000	27	150	\$1,457	\$417	\$807	\$1,100 (discretionary)
Services Provided: Performance measurement, portfolio analysis, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement, bond immunization, bond dedication, real estate and technology funds						
Fourth National Bank & Trust Co., Wichita P.O. Box 1122 Wichita, KA 67201 Contact: P. C. Woodward/V.P. & T.O. 316/261-4444	1	15	\$48.4	\$28.5	\$2	\$454.2
Services Provided: Performance measurement, portfolio review, benefit disbursement						
Harris Trust and Savings Bank 111 West Monroe Street Chicago, IL 60603 Contact: Francis T. Stack/ A.V.P. 312/461-2121	36	86	\$18,114	\$770	\$2.5	\$24,546
Services Provided: Performance measurement, portfolio analysis, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Portfolios per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
160	11	10	Trade date (full accrual), contractual settlement date with pending adjustment, contractual settlement date, actual delivery date	Yes	STIF	First day of month following investment	Cash statements 5-7 business days, accounting reports 15-17 business days, performance reports 25 business days
Crediting Dividend and Interest Policy: Cash on payable date Fee Structure: Based on combination of asset value and individual services							
43	n/a	n/a	Contractual settlement date	Yes	MM funds, repo's, T-bills, commercial paper	2nd	5th business day
Crediting Dividend and Interest Policy: On pay date Fee Structure: Based on combination of asset value and individual services							
80	10	3	Trade date (full accrual)	Yes	STIF, super-STIF, Federated	First of month	Assets/ transactions: first working day, complete accounting: tenth working day
Crediting Dividend and Interest Policy: Clearinghouse funds on payable date Fee Structure: Based on combination of asset value and individual services							
760	19	42	Contractual settlement date with pending adjustment with full income accrual	Not reported	STIF, variable demand notes	Fifth business day of the month	Financial transactions-2nd business day of the month, list of assets indicating cost and market value-3rd business day of the month
Crediting Dividend and Interest Policy: In good funds on payment date Fee Structure: Based on combination of asset value and individual services							
21	5	7	Contractual settlement date	No	Federated master trust	1st or 2nd of each month	Within 30 days after cycle ends
Crediting Dividend and Interest Policy: Direct participation with Depository Trust Co. on payable + 1 Fee Structure: Based on individual services performed							
475	10	60	Trade date (full accrual)	Yes	Commercial paper, CD's (domestic & Euro), BA's, gov't and agency issues, repos, demand notes	4th business day of following month	Monthly: Cash-2-3 business days, capital-5-7 business days; quarterly reports: 12-15 days; annual reports: 12-15 business days
Crediting Dividend and Interest Policy: In good funds on payable date Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Heritage Pullman Bank & Trust Co. 1000 E. 111th Street Chicago, IL 60628 Contact: S. Z. Kinsman/V.P. & T.O. Sec. 312/785-1000	0	100	0	\$30	\$2	\$80
Services Provided: Portfolio analysis, portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement, fixed-income fund—average maturity 6 years, equity fund						
Horizon Trust Co., N.A. 65 Madison Ave. Morristown, NJ 07960 Contact: Mark C. Hanna/ Assist. V.P. 201/285-2133	0	15	0	\$24	\$100	\$260
Services Provided: Benefit disbursement, 6-multi-manager, multi-style investment funds through a partnership with the Frank Russell Investment Management Co.						
Industrial Valley Bank & Trust Co. Old York Rd. & West Ave. Jenkintown, PA 19046 Contact: H. Sheppard Millar/ T.O. 215/576-3681	0	10	0	\$50	\$82	\$330
Services Provided: Portfolio analysis, portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
Irving Trust Co. One Wall Street New York, NY 10015 Contact: Gary L. Davenport/ V.P. 212/487-3896	32	86	\$12,000	\$3,000		\$16,000 (includes discretionary assets)
Services Provided: Performance measurement, portfolio analysis, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, on-line reporting, trade affirmation & portfolio analytics, dedicated & immunized bond programs, balanced, equity & fixed-income mgmt. ESOP/PAYSOP trustee, TUCS, global custody service <i>*Included in Directed Trust Asset Value</i>						
Jefferson Bank of Peoria 124 Southwest Adams Street Peoria, IL 61645 Contact: Michael J. Crecco/ Assist. V.P. 309/672-6183	2	28	\$28	\$23	\$5	\$85
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement, automatic cash reinvestment, government money market fund						
Key Trust Co. 60 State Street Albany, NY 12207 Contact: Michael J. Hylan/Sr. T.O. 518/447-3701	0	82	0	\$141	\$78	\$300
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement, index fund						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Portfolios per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
15	90	15	Contractual settlement date for purchases, 1 day later on sales	Not reported	Federated funds	1st of month	—
Crediting Dividend and Interest Policy: On receipt Fee Structure: Based on combination of asset value and individual services							
15	15	50	Trade date (full accrual)	Not reported	Federated money market funds, in-house short-term bond fund	Short-term bond fund-monthly	Not reported
Crediting Dividend and Interest Policy: On payable date Fee Structure: Based on combination of asset value and individual services							
15	3	6	Contractual settlement date	No	Gov't fund, Treasury agency fund, commercial paper fund	2nd of each month	2nd or 3rd day after reporting period
Crediting Dividend and Interest Policy: On payment date Fee Structure: Based on combination of asset value and individual services							
287	20	48	Trade date (with posting on contractual SD & pending schedule), actual delivery date only for non-EBT accounts	Yes	STIF, master notes, selected money market funds	1st business day of month	3 business days
Crediting Dividend and Interest Policy: Same day funds on pay date Fee Structure: Based on combination of asset value and individual services							
29	29	29	Trade date (full accrual)	No	STIF	1st of month	10-14 days after reporting period-end
Crediting Dividend and Interest Policy: Credit to account on payable date Fee Structure: Based on combination of asset value and individual services							
219	85-100	50-75	Trade date (full accrual) contractual settlement date with pending adjustment, contractual settlement date, actual delivery date	Yes	8 money market funds, CD's, commercial paper, T-bills, 2 master notes, repos	Daily or monthly	Monthly quarterly, or annually
Crediting Dividend and Interest Policy: Automatically by computer when due Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Lincoln First Bank, N.A. One Lincoln First Square Rochester, NY 14603 Contact: George H. Elferink/ V.P. 716/258-5250	5	36	\$100	\$90.4	\$26.5	\$475
Services Provided: Portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
Manufacturers Hanover Trust Co. 530 Fifth Ave. 4th Floor New York, NY 10036 Contact: Renee San Marco/ Assist. V.P. 212/819-1580	41	52	\$16,000 (combined)		\$18,800	\$34,200
Services Provided: Performance measurement, portfolio analysis, portfolio review, securities lending, ERISA disclosure assistance, benefit disbursement, plan accounting						
Manufacturers National Bank of Detroit Sixth Floor, 100 Renaissance Center Detroit, MI 48243 Contact: Alana C. Sumpter/ T.O. 313/222-4070	45	270	\$8,100	\$1,200	\$6,000	\$15,000
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund						
M & I Marshall & Isley Bank 770 N. Water Street Milwaukee, WI 53201 Contact: Morry L. Birnbaum/ V.P. 414/765-8187	26	150	\$1,150	\$500	\$1,260	\$1,800
Services Provided: Performance measurement, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
Maryland National Bank 10 Light Street Baltimore, MD 21203 Contact: William J. Nicholas, Jr./CLU, Ch. FC, & T.O. 301/244-1726	5	183	\$200	\$430	\$630	\$780
Services Provided: Performance measurement, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
Mellon Bank One Mellon Bank Center Pittsburgh, PA 15258 Contact: Thomas H. Kalen/ V.P. 412/234-3384	44	300	\$25,756	\$3,183	\$252	\$34,700
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, international custody integrated into domestic reports, full analytical package, on-line, options, futures.						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Portfolios per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
125	40	2	Contractual settlement date with pending adjustment	No	STIF	3rd business day	12th business day or less
Crediting Dividend and Interest Policy: Automatically crediting account on payable date Fee Structure: Based on combination of asset value and individual services							
n/a	6	n/a	Trade date (full accrual), contractual settlement date with pending adjustment, contractual settlement date	Yes	Temporary investment fund	Payable date	10 business days audited version-sooner if required
Crediting Dividend and Interest Policy: On payable date Fee Structure: Based on asset value only							
175	Depends on size	Depends on size	Trade date (full accrual), contractual settlement date	Yes	Manufacturer's STIF, repos, revolving loan notes	Monthly-3 or 4 days after close of month	5 business days after close of period
Crediting Dividend and Interest Policy: Automatically advanced and invested on payable date Fee Structure: Based on combination of asset value and individual services							
450	80	15	Contractual settlement date with pending adjustment	Negotiated	STIF with ACM, T-bills	Daily	5-7 business days
Crediting Dividend and Interest Policy: On payable date Fee Structure: Available on request							
40	100	75	Contractual settlement date	No	STIF	Earned daily-credited monthly	No more than 10 working days following close of period
Crediting Dividend and Interest Policy: Automatically credited on due date regardless of actual receipt Fee Structure: Based on combination of asset value and individual services							
1,000	7	50	Trade date (full accrual) reporting	Yes	Commingled short-term funds using A-1 and P-1 investments	Earned daily-credited weekly	Monthly, quarterly, and annually with monthly statements available 3rd business day following month-end
Crediting Dividend and Interest Policy: Clearinghouse funds on payable date Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Mercantile-Safe Deposit and Trust Co. Two Hopkins Plaza P.O. Box 2257 Baltimore, MD 21203 Contact: H. Louis French/V.P. 301/237-5551	19	174	\$2,666	\$633	\$2,721	\$6,020
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, investment evaluation services						
Michigan National Bank 77 Monroe Center Grand Rapids, MI 49501 Contact: Thomas L. DeFer/ V.P. 616/451-7686	1	25	\$19	\$60	\$51	\$235
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement						
National Bank of Detroit 611 Woodward Ave. Detroit, MI 48226 Contact: Creighton R. Meland, Jr./New Business Rep. 313/225-3221	47	23	\$5,700	\$4,700	\$10,400	\$16,000
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, on-line access to portfolio info., zero balance account disbursement feature						
National Trust Co., Ltd. 21 King Street East Toronto, Ont. M5C 1B3 Contact: Donald D. Landreville/V.P. 416/364-9141	30	120	\$2,300	\$2,900	\$5,200	\$6,500
Services Provided: Performance measurement, participant recordkeeping, securities lending, benefit disbursement, index fund, global fund						
Northern Trust Co. 50 South LaSalle Street Chicago, IL 60675 Contact: Thomas W. Kimen, Jr./Sr. V.P. 312/630-6000	140	24	\$39,300	\$738	n/a	n/a
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, asset allocation, global custody & multi-currency accounting and reporting, securities lending, options accounting, financial futures, investment management, on-line reporting, cash management, TUCS						
Norwest Bank Minneapolis, N.A. Eighth & Marquette Ave. Minneapolis, MN 55479 Contact: Richard G. Plufka/ V.P. 612/372-8510	8	50	\$760	\$490	\$70	\$2,400
Services Provided: Performance measurement, portfolio analysis, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Portfolios per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
273	24	n/a	Contractual settlement date	Yes	STIF, master notes, repos, money market instruments	Monthly	Daily, monthly, quarterly and annual reports based on time requirements of Plan Sponsor
Crediting Dividend and Interest Policy: Account records updated at end of each business day on payment day Fee Structure: Asset value and income collected							
2	6	1	Contractual settlement date	Not reported	Institutional liquid assets, trust for short- term gov't securities	2nd business day of month	Monthly-within 5 business days; quarterly, semi- annually, annually-20 business days
Crediting Dividend and Interest Policy: Credited automatically on payable date plus one Fee Structure: Based on combination of asset value and individual services							
256	6-9	2.43	Trade date (full accrual) in mid 1984, contractual settlement date	Yes	NBD STIF, trust demand notes, money funds, repos, commercial paper, CDs (domestic & Eurodollar), BA's	1st of each month	Monthly cash statements & account inventories-within 5 business days of month's end, annual & interim reports-within 30 days of close of reporting period
Crediting Dividend and Interest Policy: Fed funds automatically on payable date Fee Structure: Based on combination of asset value and individual services							
214	25	10.2	Contractual settlement date with pending adjustment	No	Segregated short- term investment with daily bank interest	Last day of each month	10 business days
Crediting Dividend and Interest Policy: Automated on payment due date Fee Structure: Based on combination of asset value and individual services							
1,200	11	60	Trade date (full accrual)-reporting, contractual settlement date- accounting	Yes	STIF composed of commercial paper, Yankee CDs, CD's (domestic & Eurodollar), BA's, repos	3rd business day of the month	Transaction statements-3rd business day; investment reviews-5th business day
Crediting Dividend and Interest Policy: Clearinghouse funds on payable date Fee Structure: Based on combination of asset value and individual services							
103	25	50	Contractual settlement date with pending adjustment	Yes	In-house STIF	1st of month	10 days after period-end
Crediting Dividend and Interest Policy: Fed funds on payment date Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Oregon Bank P.O. Box 2080 Portland, OR 97208 Contact: Arthur Kriegsmann/ Mgr., E.B.T. Services 503/222-7624	30	17	\$70	\$50	\$35	\$155
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement, aggressive stock fund, real estate fund, bond funds						
Plymouth-Home National Bank 34 School Street P.O. Box 1647 Brockton, MA 02403 Contact: Warren H. Mitchell/ T.O. 617/583-6700	3	104	\$12	\$13	\$27	\$380
Services Provided: Performance measurement, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
RepublicBank Dallas, N.A. P.O. Box 241 Dallas, TX 75221 Contact: David Pittman/V.P. & Dir. Corp. Relations 214/653-6506	175 (Combined)		\$11,000 (Combined)		\$1,500	\$14,500
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, on-line data reports, TUCS, options processing, cash forecasting, GIC, wholesale service, asset allocations, gov't reporting, international custody, bond immunization, fund management						
Richfield Bank & Trust Co. 6625 Lyndale Ave. South Richfield, MN 55423 Contact: Jill M. Edelstein/ Employee Benefits Officer 612/861-8321	0	560	0	\$17	\$41	\$58
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement						
Royal Trust Corp. of Canada P.O. Box 7500, Station A Toronto, Ont. Canada M5W 1P9 Contact: J. A. Gordon/Assist. V.P. 416/867-2403	55	228	\$4,800	\$6,400	n/a	\$10,500
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, gov't disclosure assistance, benefit disbursement, international real estate and energy investments						
Seattle Trust & Savings Bank 804 Second Ave. Suite 1800 Seattle, WA 98104 Contact: Dianne L. Brown/ V.P. 206/223-2291	0	83	0	\$30	\$9.3	\$150
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Portfolios per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
10	60	75	Trade date (full accrual)	No	CDs, commercial paper, money market funds, BA's	4th of month	Two weeks
Crediting Dividend and Interest Policy: Cash deposited upon receipt Fee Structure: Based on combination of asset value and individual services							
1040	1040	Not reported	Master-Trade date (full accrual); directed-actual delivery date	No	Gov't money market fund, master savings- directed	Monthly or date of withdrawal	—
Crediting Dividend and Interest Policy: Varies with type of account Fee Structure: Based on combination of asset value and individual services							
275	10	15	Trade date (full accrual), contractual settlement date with pending adjustment, contractual settlement date, actual delivery date	Yes	STIF, master notes, commercial paper, repos, eurodollars, T-bills	1st working day after month-end	5 business days after report date
Crediting Dividend and Interest Policy: Automatically precredited in Fed funds on payable date Fee Structure: Based on combination of asset value and individual services							
582	150	150	Actual delivery date	No	Money market funds	Cash basis when received	Statements-15 days after year- end; full cash accounting within 45 days after year-end
Crediting Dividend and Interest Policy: Cash basis when received Fee Structure: Based on combination of asset value and individual services							
269 (individually managed)	12	8	Contractual settlement date with pending adjustment	n/a	Short-term notes, T-bills, Royal Trust Special Deposit Account	Last day of each month	Within 15-20 days after period
Crediting Dividend and Interest Policy: On payable date Fee Structure: Based on combination of asset value and individual services							
157	40	40	Actual delivery date	No	Money market funds	1st of month	Statements by 15th of month following cutoff; allocations and tax filings within 20 days from receipt of information
Crediting Dividend and Interest Policy: Posted to account on payable date Fee Structure: Based on individual services performed							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Simmons First National Bank P.O. Box 7009 Pine Bluff, AR 71611 Contact: John L. Rush/Sr. V.P. & T.O. 501/541-1107	1	20	\$29.7	\$3.3	0	\$37.7
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement						
State Street Bank & Trust Co. P.O. Box 1713 Boston, MA 02105 Contact: J.D. Nelson/V.P. 617/786-6492	106	11	\$16,099	\$11,100	\$19,544*	\$46,743
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, global, options, real estate, PAYSOP's, 401(k) plan services, asset management, on-line reporting <i>*Includes endowments</i>						
Sun Bank, NA P.O. Box 3631 Orlando, FL 32802 Contact: Bruce Z. Bridges/ V.P. 305/237-4352	5	116	\$118	\$221.2	\$90	\$312
Services Provided: Portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
Texas Commerce Bank P.O. Box 2558 Houston, TX 77252 Contact: Russell K. Schulze, II/Sr. V.P. & T.O. 713/236-5788	13	12	\$1,200	\$407	\$928	\$4,100
Services Provided: Performance measurement, portfolio review, participant recordkeeping, securities lending, benefit disbursement						
Trust Co. Bank P.O. Box 4655 Atlanta, GA 30302 Contact: Dewey L. Haggard, Jr./V.P. 404/588-7583	14	27	\$360	\$210	\$110	\$1,000
Services Provided: Performance measurement, portfolio analysis, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
United Missouri Bank of Kansas City, N.A. P.O. Box 226 10th & Grand Ave. Kansas City, MO 64141 Contact: Robert E. Reiter/Sr. V.P. 816/556-7474	2	325	\$50	\$300	\$700	\$1,300
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement, index fund						
United States Trust Co. of New York 45 Wall Street New York, NY 10005 Contact: Robert Pagano/ Assist. V.P. 212/806-4500	13	65	\$2,700	\$3,200	\$1,700	\$7,600
Services Provided: Performance measurement, portfolio analysis, securities lending, ERISA disclosure assistance, benefit disbursement, risk management, portfolio characteristics						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Portfolios per Investment Mgr. Contact	Accounting System Utilized	Fall Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
209	209	209	Contractual settlement date	No	Federated, money fund, fund for U.S. Treasury obligations, ILA	1st of month	15 days after closing
Crediting Dividend and Interest Policy: When received Fee Structure: Based on combination of asset value and individual services							
909	5	3.7	Trade date (full accrual)	Yes	All ERISA approved; any approved by endowments; Taft-Hartley, public funds, etc.	2nd business day after month-end	5-7 business days
Crediting Dividend and Interest Policy: Clearinghouse funds on date received Fee Structure: Based on combination of asset value and individual services							
116	38	170	Contractual settlement date	Yes	Federal cash mgmt. reserve account, commercial paper	Monthly	20 days after period
Crediting Dividend and Interest Policy: On payable date Fee Structure: Based on combination of asset value and individual services							
81	16	4	Actual delivery date	Yes	Pooled money market funds, master notes, repos, commercial paper	2 days after month-end	10 business days after month-end
Crediting Dividend and Interest Policy: Account credited unless claim pending on pay date plus one Fee Structure: Based on individual services performed							
74	12	15	Trade date (full accrual), contractual settlement date	No	STIF, master notes	Within 5 business days after month-end	15-20 days after cut-off date
Crediting Dividend and Interest Policy: Investable funds on pay date Fee Structure: Based on combination of asset value and individual services							
470	330	100	Trade date (full accrual)	No	Pooled income fund, money market funds, CD's, T-bills, institutional money market funds	1st day of month	14-21 days following end of reporting period
Crediting Dividend and Interest Policy: Cash or in kind on payable date Fee Structure: Based on combination of asset value and individual services							
249	13	31	Trade date (full accrual), actual settlement date with pending adjustment	Yes	STIF	3 business days after month-end	3-14 business days
Crediting Dividend and Interest Policy: Automatic credit on payable date Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
United Virginia Bank 919 East Main Street Richmond, VA 23261 Contact: Kenneth L. Walker/ Assist. V.P. 804/782-7328	3	51	\$27.6	\$146	\$90	\$978
Services Provided: Performance measurement, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
Valley Fidelity Bank & Trust P.O. Box 1991 Knoxville, TN 37901 Contact: Sharon J. Miller/Sr. V.P. 615/521-3966	0	72	0	Not reported	0	\$85
Services Provided: Portfolio analysis, portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
Valley National Bank of Arizona 241 North Central Ave. Phoenix, AZ 85001 Contact: Lou Kisch/V.P. 602/261-1545	1	26	\$8.6	\$43.4	\$21	\$1,154
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement, index fund						
Wachovia Bank & Trust Co., N.A. P.O. Box 3099 Winston-Salem, NC 27102 Contact: Jane B. Fisher/V.P. 919/748-6348	32	25	\$11,300	\$500	\$100	\$13,300
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, foreign custody, 401(k) consultation, venture capital investing						
Wells Fargo Bank, N.A. 475 Sansome Street #1288 San Francisco, CA 94163 Contact: Morgan Patch/V.P. & Mgr. Master Trust 415/396-5561	55	800	\$9,000	\$3,500	\$5,000*	\$12,500**
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, on-line portfolio inquiry *Included in Master Trust Asset Value & Directed Trust Asset Value **Included in Master Trust Asset Value						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Portfolios per Investment Mgr. Contact	Accounting System Utilized	Fall Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
100	n/a	n/a	Contractual settlement date	Yes	STIF, money market funds	Following 5th business day	10th business day for monthly statements; 90 days after year-end for annual summary
Crediting Dividend and Interest Policy: Interest on pay date; dividends on pay date plus one Fee Structure: Based on combination of asset value and individual services							
72	25	72	Contractual settlement date	Yes	Commercial paper, money market funds, gov't income funds	End of month	2 weeks after month-end
Crediting Dividend and Interest Policy: On payable date Fee Structure: Based on combination of asset value and individual services							
—	—	—	Contractual settlement date with pending adjustment	No	STIF, Federated funds, GMAC variable amount note	1st working day of month	Depends on type of reporting package
Crediting Dividend and Interest Policy: Funds credited to account on pay date Fee Structure: Based on combination of asset value and individual services							
250	5	15	Contractual settlement date with pending adjustment	Yes	STIF, demand notes, Short-Term Investment Co.	1st working day of month	10 business days
Crediting Dividend and Interest Policy: Fed funds on pay date Fee Structure: Based on combination of asset value and individual services							
250	14	3	Trade date (full accrual), contractual settlement date, contractual settlement date with pending adjustment, actual delivery date	Yes	STIF	Last day of month	10 business days
Crediting Dividend and Interest Policy: Advanced to account on payable date except for foreign issues Fee Structure: Based on combination of asset value and individual services.							

Pension World

The Magazine for Plan Sponsors and Investment Managers/ A Publication of Communication Channels, Inc.

1983 PENSION WORLD Employee Benefits Awards



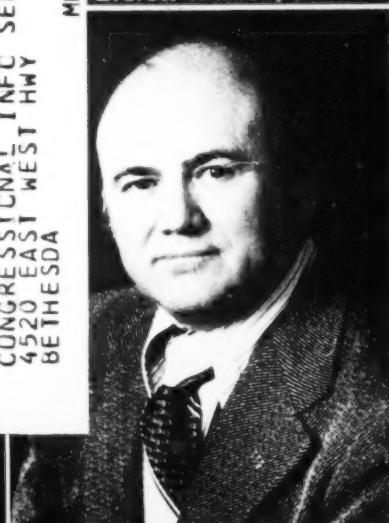
Everett T. Allen, Jr.



Theresa B. Stuchiner



Nathan Smith



Carl J. Blechinger



Eugene B. Burroughs



Dallas L. Salisbury

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A Policy Maker's View
Manager Profile: New England Life
1983 PENSION WORLD Index

**8th Annual ERISA
Compliance Calendar**

Pension World

January 1984
Volume 20 Number 1

The Magazine for Plan Sponsors and Investment Managers/A Publication of Communication Channels, Inc.

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Senator Packwood (R-Oregon), the second-ranking member of the Senate Committee on Finance, gives his views on tax policies and other recent legislation and proposals affecting employee benefits.
- Investment Manager Profile: New England Life: meeting customer needs, objectives** by Ronald Derven 26
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- Voluntary Contribution Plans: Survey explores use of IRA's and 401(k)'s** by Kathryn Hart 29
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- Home Mortgage Investments: Answers to some frequently asked questions** by H. Robert Bartell, Jr. 31
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- United Worldwide Research: *World Series* favors simple studies** by Barnet N. Berin and Robert J. Myers 33
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- Current Issues in Plan Design: Non-qualified trusts: An approach to funding deferred compensation** by Philip M. Alden, Jr. 38
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- 1983 *Pension World* Index** 52
All 1983 *Pension World* articles are listed in this handy reference by topics, titles, and authors.

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Cover: *Pension World* salutes six individuals who have made outstanding contributions to the pension industry. Our tribute to these individuals and their accomplishments begins on page 13.

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ISSN 0098-1753

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NEWS Pension World

VOLUME 20 NUMBER 1

JANUARY 1984

1984 salary budgets reflect caution

■ Salary-increase budgets for exempt employees in U.S. companies are projected to average 6.8 percent of payroll in 1984, according to a new study by The Wyatt Co.'s Executive Compensation Service (ECS). The study, the ECS Top Management Report, was based on responses from 550 companies in 50 industries, representing a cross section of American business.

According to the report, although the salary-increase budgets are above the projected C.P.I. increase for 1984, companies are working to control salary expenses. The average increase of 6.8 percent budgeted for 1984 is below the 7.9 percent figure that companies planned for 1983. However, the survey showed that there are indications that some industries are more cautious than others, reflecting differing economic outlooks for 1984.

Projected 1984 salary-increase budgets by industry are listed in the accompanying chart.

The highest salary-increase budgets were in the cosmetics industry, with an average of 8.4 percent. The lowest budgets were among iron and steel producers, who reported an average of 5.5 percent. The widest range was among utilities, where projections stretched from 3.0 to 11.5 percent. The narrowest range was among retail companies, where projections ranged from 5.0 to 8.0 percent.

Iron and steel industries reported the least aggressive projections due to the channeling of its working capital to plant and equipment expenditures. However, the projections of the utilities were surprisingly high, indicating that the industry may be resuming spending on salaries, which had recently experienced downward pressure due to previous runaway increases in costs.

Projected 1984 Salary-Increase Budgets

	Average	Lowest Reported	Highest Reported
Iron and steel producers	5.5%	5.0%	6.0%
Chemicals	6.3	3.0	10.8
Machinery manufacturing	6.3	3.5	10.0
Food products	6.5	2.0	9.0
Construction and materials	6.6	4.5	10.0
Durable goods manufacturing	6.7	2.0	10.0
Retailing	6.9	5.0	8.0
Financial and business services	7.0	3.0	10.0
Utilities	7.2	3.0	11.5
Wholesale trade	7.3	4.0	11.5
Cosmetics	8.4	6.5	13.0
ALL INDUSTRIES	6.8%	2.0%	13.0%

133 ISCEBS members receive designations

■ The International Society of Certified Employee Benefit Specialists (ISCEBS) has granted the first fellowship designations to 133 society members who successfully completed a two-hour, 100-question examination covering contemporary issues and recent legislative and regulatory changes.

Developed by the Wharton School of the University of Pennsylvania, the fellowship exam provides ISCEBS members with an opportunity to stay current in the benefits field and is good for a two-year period.

ISCEBS is a non-profit

organization composed of those holding the Certified Employee Benefit Specialist (CEBS) designation granted by the Wisconsin-based International Foundation for Employee Benefit Plans and the Wharton School.

Chemical Bank starts investment company

■ Favia, Hill & Associates has been formed by Chemical Bank, New York, as an independent investment management company. It will manage investments for corporations, unions, public employees, and non-profit and charitable organizations. A team of

two senior portfolio managers of Chemical Bank's Trust and Investment Division, Jack Favia and Bob Hill, will run the new investment management affiliate.

New enterprises formed by Provident Insurance

■ Provident Life & Accident Insurance Co., Chattanooga, Tenn., has formed a new affiliate, Health Point Corp., and a Carolina-based subsidiary, Health Point Preferred, Inc.

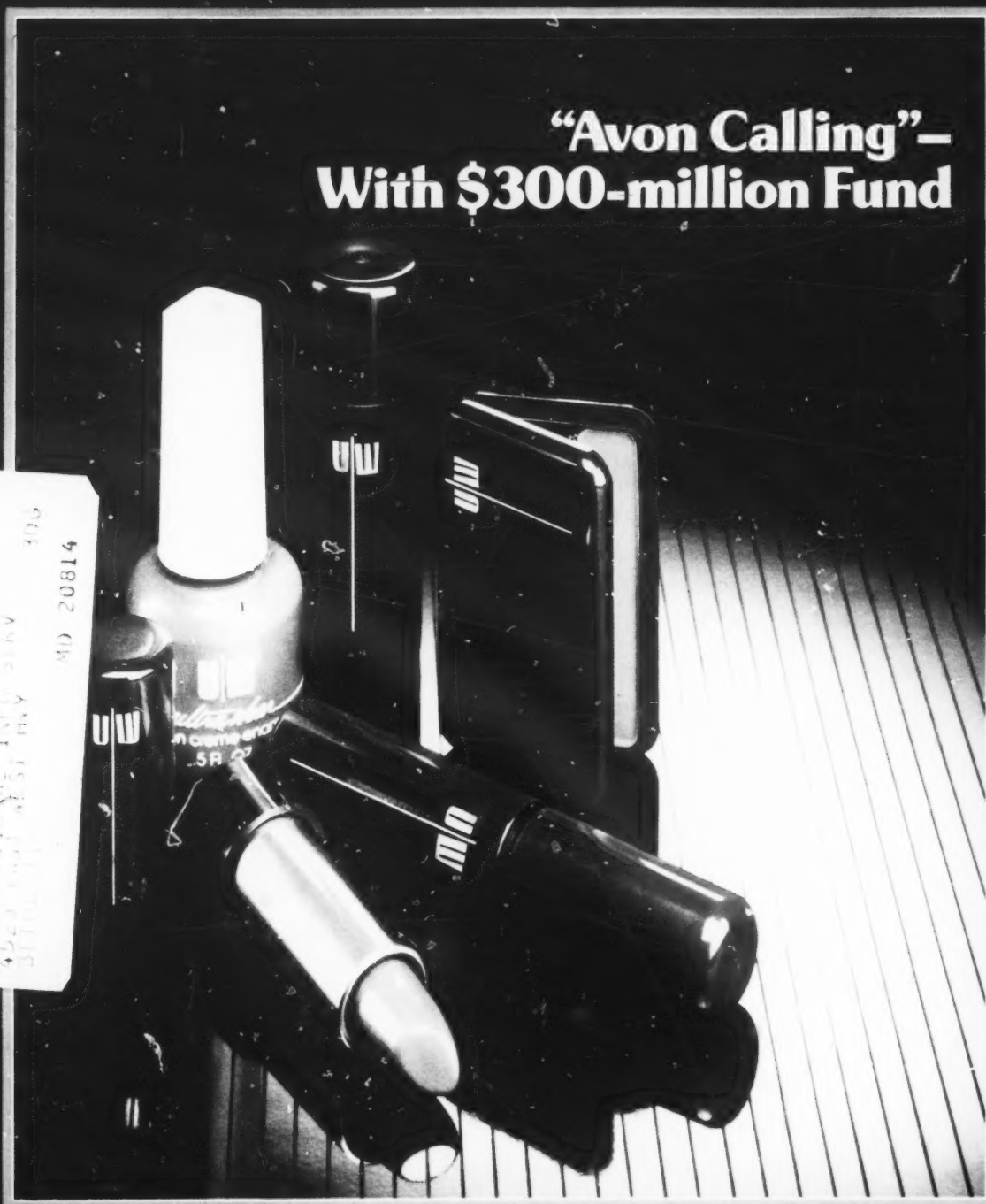
Health Point's main goal is to contribute to the cost-effective delivery of quality medical and dental care.

FEBRUARY 1984

Pension World

The Magazine for Plan Sponsors and Investment Managers/ A Publication of Communication Channels, Inc.

"Avon Calling"— With \$300-million Fund



Using ESOP's to Thwart Takeovers
Guide for Screening Managers

Pension World

February 1984
Volume 20 Number 2

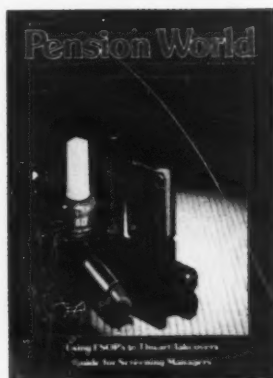
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- Plan Sponsor Focus: "Avon calling"—with \$300-million fund** by Ronald Derven 15
Two executives of Avon Products—the vice president/taxes and the director/treasury planning—discuss the strategy, goals, and investment management philosophy in the new direction of the firm's \$300-million pension fund.
- Corporate Strategy: Using ESOP's to thwart hostile takeovers—beware!** by Corey Rosen and Michael Caudell-Feagan 18
The development of "takeover defense" Employee Stock Ownership Plans has mixed implications for the future of employee ownership. Some of this action has been labeled "MESOP's"—management entrenchment stock ownership plans. What are the positive and negative effects of using ESOP's as defense strategy?
- Investment Management: Updated guide for screening managers** by Brian Rom 22
A definitive way of screening investment managers to determine which ones to consider in investment manager selection can be a big help to plan sponsors. This study, an updated follow-up to a study published in this magazine in 1981, is expanded to include international management firms.
- Investment Management: Beyond the efficient market: a free lunch** by David A. Baker 25
Earning superior stock market returns by investing in small capitalization stocks has been a great strategy in the past. It was well worth the extra risk. But now, could the market be at an exceptional point in history where an investor might earn more by taking less risk?
- S&L's continue expertise in mortgage lending** by Dallas Bennewitz 27
Although many changes have occurred in the savings industry, one item remains constant: savings institutions still specialize in mortgage lending. This article examines what some of the changes have brought and what the "new" savings institutions have to offer.
- Current Issues in Plan Design: Women and pensions: what Congress is doing about them** by Judith Mazo 30
What will the "pension equity" legislation that is on the horizon do for women? What will it cost? Will it increase the prospect for women to receive a greater share of private sector retirement plan benefits? Will men also profit from some of this legislation?
- Pension World Basics: Universal life insurance in a 401(k) savings plan** by Joel I. Rich 37
This article explains what is involved in using universal life insurance in a 401(k) savings plan. The advantages may outweigh the disadvantages, but the plan sponsor must be sure of the legal basis for including it in a firm's program.

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				Arbitration Awards	50



Cover: With more than a million Avon representatives, "Avon calling" is certainly a familiar phrase. The story of Avon's pension fund strategy begins on page 15.

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ISSN 0098-1753

Pension World is published monthly by Communication Channels, Inc., Tim Gold Blyth, Chairman of the Board, B.J. Kotscher, President, Russell Richards, Secretary, John Moebius, Treasurer. Editorial and advertising offices at 6255 Barfield Road, Atlanta, GA 30328. Telephone (404) 256-9800. Telex 4611075COMCHANL. *Pension World* is a registered trademark of Communication Channels, Inc. © 1984 by Communication Channels, Inc. Second class postage paid at Atlanta, GA, and at additional mailing offices. Subscription rates: U.S.A., 1 year, \$36; 2 years, \$63; Canada and Mexico, 1 year, \$41; Foreign Sea Mail, 1 year, \$48; Foreign Air Mail, 1 year, \$78. Single copies, \$3.50. Group rates available. The opinions expressed by authors and contributors to *Pension World* are not necessarily those of the editors or publisher. Articles appearing in *Pension World* may not be reproduced in whole or in part without the express permission of the publisher. Microfilm copies of *Pension World* are available from University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106. Postmaster: Please send form 3579 to Circulation Department, *Pension World*, 6255 Barfield Road, Atlanta, GA 30328.

An updated guide for screening managers

No matter what size the fund is, in selecting new investment managers for its pension fund, the plan sponsor needs a rational method to determine which managers to consider for the assignment.

One of the most frequent tasks of pension plan sponsors is that of selecting new investment managers for their trust assets. Whether the asset pool is large or small and whether the search is for a firm to manage all or part of the assets, the sponsor needs a rational method to determine which managers to consider for the assignment. To avoid wasting time meeting and evaluating a poorly constructed group of managers, it is imperative to have a process by which the large universe of possible candidates can be reduced to a manageable number.

A systematic screening process to assist clients in addressing this and related questions has been developed by the Investment Supervision Group at Peat Marwick Mitchell. This article, a follow-up to a study published in *Pension World* in March, 1981, explains that process and reports on the results of the most recent screenings of several hundred U.S. and international investment firms. This current study has been expanded to include international equity and fixed-income management firms, in addition to their U.S. counterparts.

Given the mass of qualitative and statistical data that can be assembled for each of the candidates, judiciously applied screens of historical investment results are an effective way to help cull the universe of all managers to the desired size. It needs to be emphasized that this performance criterion is a first screen only, helping to reduce the number of managers requiring further analysis, which starts once the screening has been done. In other

words, the screening process is not intended to be a replacement for careful evaluation of investment philosophy and process.

A further important consideration is the degree to which certain investment styles have been favored in a particular time period. For example, managers of smaller and special situation equity portfolios did far better than regular equity funds in the five years of 1978-82, covered in this study (the median results of the Peat Marwick data base are 27.7 percent and 19.9 percent, respectively). It follows then, that in evaluating the results of the screen, consideration should be given to an equity manager's style orientation and not the investment

environment for that style during the period under consideration.

Also, in evaluating management firms that have survived the screen, it must be determined that the personnel who achieved the performance remain responsible for the major investment decisions at the firm. If a significant number of the key players have left, it may be essentially a new firm.

In using these historical data, care must also be taken to reduce the effect of the most recent performance on the selection decision. This can be done by looking at performance over a number of time periods, not all of which have the same end point. Multiple time periods have been used because any single period might indicate market, not manager results. For example, bond managers who had heavy cash positions in 1981 would have had excellent results relative to other bond managers, but how did they do in 1982 when longer maturities did so much better than shorter maturity portfolios? The multiple-period screen can provide some answers to these questions.

Tables 1,2,5,6,7, and 8 show the time periods, median returns, and the screening criteria for each of the U.S. and international equity and fixed-income universes used. These screens are particularly rigorous as is shown by the median manager's substantial incremental return over the market in most cases. Note that this process is based on a negative screen: those firms that over a number of different market environments have consistently underperformed their peers are eliminated from further consideration.



by **BRIAN ROM**

Manager
Investment Supervision Group
Peat, Marwick, Mitchell & Co.
New York, N.Y.

For example, in the case of the U.S. managers, this is translated into the following screening rule: Eliminate all organizations whose results do not exceed the median of the entire universe in at least three of the five time periods used.

Table 3 shows the results of this screen on 173 equity managers and 104 fixed-income managers, each with at least \$50 million in tax-exempt assets under management. The results indicate that nearly equal proportions of each universe survived the screens and in both categories, counselors as a group have the best historical record when compared with banks and insurance companies—more than half the counselors survive as compared to a less than one-third success rate for the other two manager categories. This suggests that the independence enjoyed by counselors is a positive factor in the highly competitive investment world.

It is interesting to note also that the banks' success ratio in fixed income is nearly double that of their equity rate. Since the banks surveyed generally manage more equity assets than do the counselors, this supports the contention that, at the extremes of smallness and largeness, success in equity management

Table 1 U.S. Equity Manager Performance Screens		
Time Periods	Peat Marwick Universe Median	S&P 500 Index
1 Year: 1982	24.4%	21.6%
3 Years: 1980-1982	17.6	15.3
5 Years: 1978-1982	16.8	14.2
Peak to Peak Market Cycle — 4 Years: 1977-1980	14.7	11.6
Trough to Trough Market Cycle — 4 1/2 Years: 4/78-6/82	13.5	10.8
Screening Criterion: Eliminate manager if not above universe median in at least three of the five time periods.		

Table 2 U.S. Fixed-Income Manager Performance Screens		
Time Periods	Peat Marwick Universe Median	Lehman Bros. Kuhn Loeb Govt./Corp. Index
1 Year: 1982	29.5%	31.7%
3 Years: 1980-1982	12.7	13.2
5 Years: 1978-1982	8.7	8.4
Falling Market — 4 1/4 Years: 1/77-9/81	1.9	1.4
Rising Market — 1 1/4 Years: 10/81-12/82	32.6	34.3
Screening Criterion: Eliminate manager if not above universe median in at least three of the five time periods.		

(more so than in bond management) is inversely related to the size of the asset pool being managed.

This observation is also supported by the data in Table 4. The success rate for very large equity

managers is about three-quarters of that for smaller managers. It is, however, instructive to note that there is no appreciable difference between the success rates of those firms managing less than \$1 billion

Table 3 U.S. Managers Passing Performance Screen: By Type of Firm						
Type of Institution	Equity Managers			Fixed-Income Managers		
	Number Screened	Number Surviving Screen*	Percent Surviving	Number Screened	Number Surviving Screen**	Percent Surviving
Banks and Trust Companies	56	8	15%	50	13	26%
Independent Counselors	104	53	51	46	24	52
Insurance Companies	13	4	31	8	1	13
Totals	173	65	38%	104	38	37%
* See Table 1 ** See Table 2						

Table 4 Managers Passing Performance Screen: By Size of Firm						
Size of Institution(*)	Equity Managers			Fixed-Income Managers		
	Number Screened	Number Surviving Screen**	Percent Surviving	Number Screened	Number Surviving Screen***	Percent Surviving
Medium (\$50 million — \$1 billion)	127	49	39%	75	27	36%
Large (\$1 billion — \$2.5 billion)	26	10	38	18	7	39
Very Large (\$2.5 billion & up)	20	6	30	11	4	36
Totals	173	65	38%	104	38	37%
* Total equity or fixed-income tax exempt assets, respectively, under management ** See Table 1 *** See Table 2						

Table 5 Foreign (i.e., Non-Dollar) Equity Manager Performance Screens

Time Periods	Peat Marwick Universe Median	Capital International EAFE Index
6 Months: 1/83-6/83	14.8%	14.1%
1 Year: 6/82-6/83	39.3	31.3
2 Years: 6/81-6/83	5.8	5.8
3 Years: 6/80-6/83	9.2	7.0
5 Years: 6/78-6/83	13.4	11.2

Screening Criterion: Eliminate manager if not above universe median in at least three of four or three of five, or two of two or two of three time periods.

Table 6 Global Equity Manager Performance Screens

Time Periods	Peat Marwick Universe Median	Capital International World Index
6 Months: 1/83-6/83	17.4%	18.6%
1 Year: 6/82-6/83	47.8	49.2
2 Years: 6/81-6/83	10.5	13.3
3 Years: 6/80-6/83	11.7	13.4
5 Years: 6/78-6/83	12.0	14.9

Screening Criterion: Eliminate manager if not above universe median in at least three of four or three of five, or two of two or two of three time periods.

Table 7 Eurodollar Bond Manager Performance Screens

Time Periods	Peat Marwick Universe Median	Salomon Brothers Eurodollar Bond Index
6 Months: 1/83-6/83	6.5%	6.8%
1 Year: 7/82-6/83	23.4	30.9
2 Years: 7/81-6/83	18.6	19.8
3 Years: 7/80-6/83	14.3	11.7
5 Years: 7/78-6/83	13.0	9.0

Screening Criterion: Eliminate manager if not above universe median in at least three of four or three of five, or two of two or two of three time periods.

Table 8 Global Bond Manager Performance Screens

Time Periods	Peat Marwick Universe Median	Salomon Brothers World Bond Index
6 Months: 1/83-6/83	4.2%	6.3%
1 Year: 7/82-6/83	21.0	25.5
2 Years: 7/81-6/83	17.8	18.7
3 Years: 7/80-6/83	11.3	12.2
5 Years: 7/78-6/83	7.4	4.0

Screening Criterion: Eliminate manager if not above universe median in at least three of four or three of five, or two of two or two of three time periods.

Table 9 Funds Of International Equity And Bond Managers Passing Performance Screen

Type of Fund	Number Screened	Number Surviving Screen*	Percent Surviving
Foreign (i.e., Non-Dollar) Equity	31	14	45%
Global Equity	16	7	44
Eurodollar Bonds	34	16	47
Global Bonds	16	6	38

* See Tables 5, 6, 7, 8

and those managing between \$1 billion and \$2.5 billion.

Some of the ways the size of assets under management may have caused the differences noted above include restricting a manager's ability to own smaller capitalization stocks (which were generally favored during the period covered by this study). A further benefit of smaller assets under management is flexibility. In periods of rapidly changing relative performance among different market sectors, the ability of managers to rotate their assets among these sectors can be a major determinant of their investment performance; managers of

As in the domestic screening, the international screens are designed to eliminate the consistent underperformers.

smaller portfolios will generally have had greater flexibility in making these changes. Although these differences may not continue into the future, they provide some indication of a manager's past ability to adapt to changing conditions.

The fixed-income results are in keeping with expectations. Size is a relatively insignificant factor in discriminating between bond managers.

Turning to the international manager results, Tables 5 through 8 provide the screening criteria for each of the four universes: foreign equity, global equity, Eurodollar bond, and global bond. Due to the smaller number of firms with the appropriate data, the screening conditions are generally easier than in the domestic case. However, as in the domestic case, the international screens are designed to separate out the consistent underperformers.

Table 9 summarizes the screen of international equity and bond managers. The numbers represent the basic universe from which managers for specific search projects are selected.

The straightforward process described in this article can go a long way toward increasing the efficiency of the plan sponsor's search for an investment advisor. □

S&L's continue expertise in mortgage lending

After they have weathered the toughest period in their history, the "new" savings institutions business entails much more than the traditionally held view of being the nation's major source of home loans.

Now that savings and loan associations and savings banks have successfully weathered the toughest period in their history, many pension fund executives are taking a fresh look at what is being called the "new" savings institutions business and what it has to offer.

Financial deregulation has resulted in a variety of changes within the savings industry, including expanded lending authorities and removal of interest rate controls on most savings accounts, but there remains an important constant: Savings institutions still specialize in mortgage lending.

The continued concentration on mortgage credit is good news for both investors and home buyers. Savings institutions traditionally have been the nation's major source of home loans, and the business originated more than half of all residential mortgage loans during the second quarter of 1983, the latest period for which data are available.

Secondary mortgage market

For home buyers, that means a steady source of home financing capital. For pension fund managers, the savings institutions' commitment to mortgage lending means the continued availability of a prime investment vehicle—first mortgages on residential property. Home mortgages are perhaps the safest investment a fund manager can make. And the long-term nature of mortgage loans makes these investments an ideal match for pension fund money, a basic reason for the increasing involvement of pension

funds in the secondary mortgage market.

Non-traditional mortgage investors (including pension funds and insurance companies) have played a more significant role in home finance through the purchase of mortgages and mortgage-related securities since 1978, the year in which the secondary mortgage market is said to have come of age (see Chart 1). Between 1970 and 1977, non-traditional investors, on average, accounted for only 4.2 percent of total home mortgage originations, according to "Financing Homeownership in the 1980's," a discussion paper published by the Homeownership Task Force of the United States League of Savings Institutions. Since then, however, this percentage has ranged between 12.2 percent and 17.3 percent. In dollar terms, non-traditional mortgage investors have poured between \$13.9 billion and \$32.8 billion into the mortgage market annually since 1978.

Through the first half of 1983, pension funds and other non-traditional mortgage investors acquired \$14.3 billion of mortgages and mortgage-backed securities, or 15.4 percent of total originations. If this pattern continued during the July-through-December period, 1983 could approach a new record year for acquisitions by pension funds

and other non-traditional mortgage investors.

That's not surprising. Secondary mortgage market activity has increased significantly in recent years. Taken as a percentage of mortgage originations by all lenders, secondary market sales of mortgages have doubled, rising from an average of 26 percent in the period from 1970 through 1977 to an average of 52 percent in the period from 1978 through the first half of 1983.

In 1982, mortgage sales as a percentage of originations reached 88.6 percent. Through the first half of 1983, sales as a percentage of originations remained at a high 69.5 percent.

The high asset quality of home mortgages is reflected by the low delinquency rate on these loans. During the past 20 years, the national delinquency rate on residential mortgages outstanding at savings institutions has averaged just 0.93 percent. Put another way, the data show that more than 99 percent of all homeowners have made their mortgage payments on time each month. Even during the most recent economic downturn, mortgage delinquencies never exceeded 1.4 percent. The timely payment record should not come as a surprise since homeowners realize that a home not only provides shelter but also an important investment.

Home mortgages obviously are a good investment for pension funds, too. Long-term, fixed-rate mortgages provide guaranteed cash flow over an extended time period. Many savings institutions have packages of fixed-rate home loans available

by **DALLAS BENNEWITZ**

Vice President

Mortgage Lending and Capital Acquisition
U.S. League of Savings Institutions
Chicago, Ill.

for sale in a variety of dollar amounts and terms designed to fit different investment needs.

Adjustable rate mortgages

The fixed-rate mortgage has been the standard form of home financing in the United States ever since the 1930's and has made it possible for millions of households to become homeowners. The fixed-rate mortgage, however, was designed to meet home financing needs in an era when mortgage lenders could rely on a steady supply of low-cost savings deposits—mostly in pass-book accounts. Fixed-rate mortgages worked well for lenders as long as interest rates were stable.

However, with savings rates linked to the money markets, thanks to financial deregulation, and with those interest rates more volatile than in the past, lenders no longer can rely on fixed-cost, stable supplies of money to fund long-term, fixed-rate mortgages. That is why savings institutions have developed adjustable rate mortgages—or ARM's as they are popularly known. These flexible loans, which permit adjustments in the interest rate to match changes in the economy, have become popular with

home buyers and offer a significant advantage to pension funds and other investors who purchase the loans in the secondary mortgage market.

Since the interest rate on an ARM can move up or down, keeping pace

With savings rates linked to the money markets, thanks to financial deregulations, and with those interest rates more volatile than in the past, lenders no longer can rely on fixed-cost, stable supplies of money to fund long-term, fixed-rate mortgages. That is why savings institutions have developed adjustable rate mortgages — or ARM's.

with market rates, investors purchasing these loans are ensured that their yield will always stay in sync with the market. Several important consumer benefits make ARM's at-

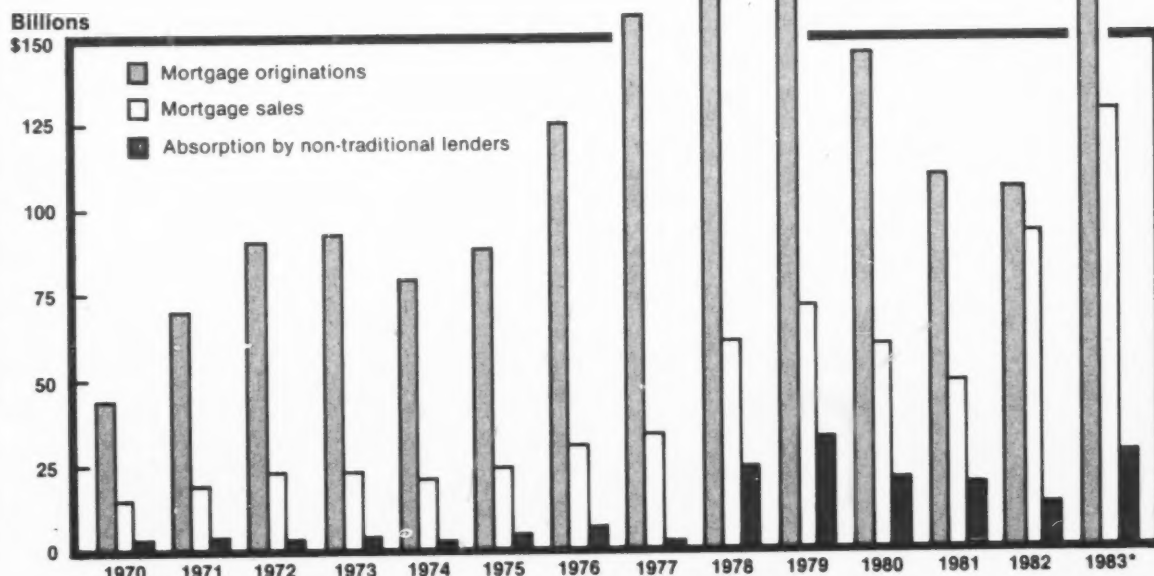
tractive to home buyers, too, as evidenced by the sharp increase in the popularity of these loans last year. During the first quarter of 1983, adjustable mortgages accounted for just 23.3 percent of all mortgages made by savings institutions. By October, however, ARM's represented 50 percent of all mortgage lending, and as the end of the year approached, the figure continued to grow.

ARM's popularity grows

There are several reasons for the growing popularity of ARM's. The initial rate on an adjustable rate home loan often is lower than with a fixed-rate mortgage, because the borrower is sharing some of the interest rate risk with the lender. In many cases, point charges (service and processing fees) also are lower.

For a home buyer, the lower ARM rate can mean the difference between qualifying for a loan or being rejected. For example, a home buyer choosing a \$60,000 adjustable mortgage at 12 percent interest would have monthly payments of \$617.17, compared with \$687.25 for a \$60,000, 30-year, fixed-rate loan at 13.5 percent. The \$70.08 per month difference could

Chart 1 Secondary Mortgage Market Activity



*First-half of year annualized.

Sources: Dept. of Housing and Urban Development, Federal Home Loan Bank Board, Federal Home Loan Mortgage Corp., Federal National Mortgage Assn., Government National Mortgage Assn., National Assn. of Mutual Savings Banks, and U.S. League of Savings Institutions.

be the deciding factor in whether the home buyer is able to qualify for the loan, especially if the buyer is stretching his, or her, budget to the limit.

Another benefit of ARM's is that they can be assumed—an important benefit when today's home buyer goes to sell.

Over the coming years, ARM's are expected to play an increasingly important role in the restructuring now underway at savings institutions.

Restructuring, lower and less volatile interest rates, and expanded customer service authorities are working in concert to strengthen savings associations and savings banks. And the new types of mortgage loans, which have interested many secondary market investors, are very much a part of the "new" savings institutions business. So is the insured money market deposit account (MMDA).

Money market deposit account

Introduced in December, 1982, the MMDA was almost solely responsible for the record savings deposit gain at savings institutions last year. Although year-end data were not available as this article went to press, deposit growth during 1983 seemed certain to reach \$100 billion. That would double the 1977 record when deposits grew \$50.2 billion. According to figures from the U.S. League's research department, net new savings deposits grew \$57.8 billion through the first 10 months of last year (1983).

Net new savings are the difference between actual savings deposits and withdrawals; the figure does not include interest credited to accounts. When savings account interest is added, the business' total savings gain for 10 months was \$94.4 billion. The 1977 record included interest credited. Excluding interest, deposit growth in 1977 totaled \$32 billion (see Table 1).

The striking impact of the insured MMDA can be seen in Table 2, which shows that between January, 1982, and November, 1982, savings withdrawals exceeded deposits by \$18.1 billion. During December, 1982, however, the first month the MMDA was available, new deposits topped withdrawals by \$10.4 billion.

The Garn-St. Germain Depository Institutions Act of 1982 was

responsible for the creation of the MMDA. The legislation also allowed savings institutions to expand their consumer lending activities.

During the first 10 months of 1983, the first year the new powers were available, savings institutions loaned a record \$111 billion in mortgage money to home buyers, exceeding the previous record level of lending set in 1978.

ties, participate in real estate development projects, and begin making loans to businesses and for agricultural purposes.

The expanded lending authorities are important and certainly are needed, but they will not sidetrack savings institutions from their primary area of expertise which is mortgage lending.

During the first 10 months of 1983, the first year the new powers were available, savings institutions loaned a record \$111 billion in mortgage money to home buyers. In dollar terms, that already exceeds the previous record level of lending set during all of 1978 and was almost three times the \$39.8 billion lent in the first 10 months of 1982 (see Table 3).

Continued strong demand for loans and increased deposit flows are expected to lead to improved performance by savings and loan associations and savings banks in 1984, making the "new" savings institutions business worth looking at. □

Table 1 Savings Institution Deposit Growth
(in billions of dollars)

Year	Net New Savings	Interest Credited	Growth in Deposits
1976	\$34.4	\$15.4	\$49.8
1977	32.0	18.2	50.2
1978	23.5	20.7	44.2
1979	15.0	23.9	38.9
1980	10.7	30.3	41.0
1981	-25.4	38.8	13.4
1982	-6.1	46.9	40.8
1983*	57.8	36.6	94.4

*Preliminary results for first 10 months.

Data are for FSLIC-insured institutions.

Source: Research Department, U.S. League of Savings Institutions.

Table 2 1982 Net New Savings*
(in billions of dollars)

January	\$ - 1.380
February	+ 0.761
March	- 1.284
April	- 4.588
May	- 0.302
June	- 3.262
July	- 0.938
August	- 1.718
September	- 1.801
October	- 2.947
November	- 0.637
December	+ 10.429

*Excluding interest credited.

Data are for FSLIC-insured institutions.

Source: Federal Home Loan Bank Board

Table 3 Mortgage Lending by Savings Institutions
(in billions of dollars)

Year	Amount
1976	\$ 77.1
1977	105.3
1978	108.3
1979	98.7
1980	71.3
1981	52.3
1982	54.3
1983*	111.1

*Preliminary results for first 10 months.

Data are for FSLIC-insured institutions.

Source: Research Department, U.S. League of Savings Institutions

MARCH 1984

Pension World.

The Magazine for Plan Sponsors and Investment Managers/ A Publication of Communication Channels, Inc.

Bankers Trust—Giant in Pension Asset Management

Controlling Costs
With Computers

Recovering Assets
at Plan Termination

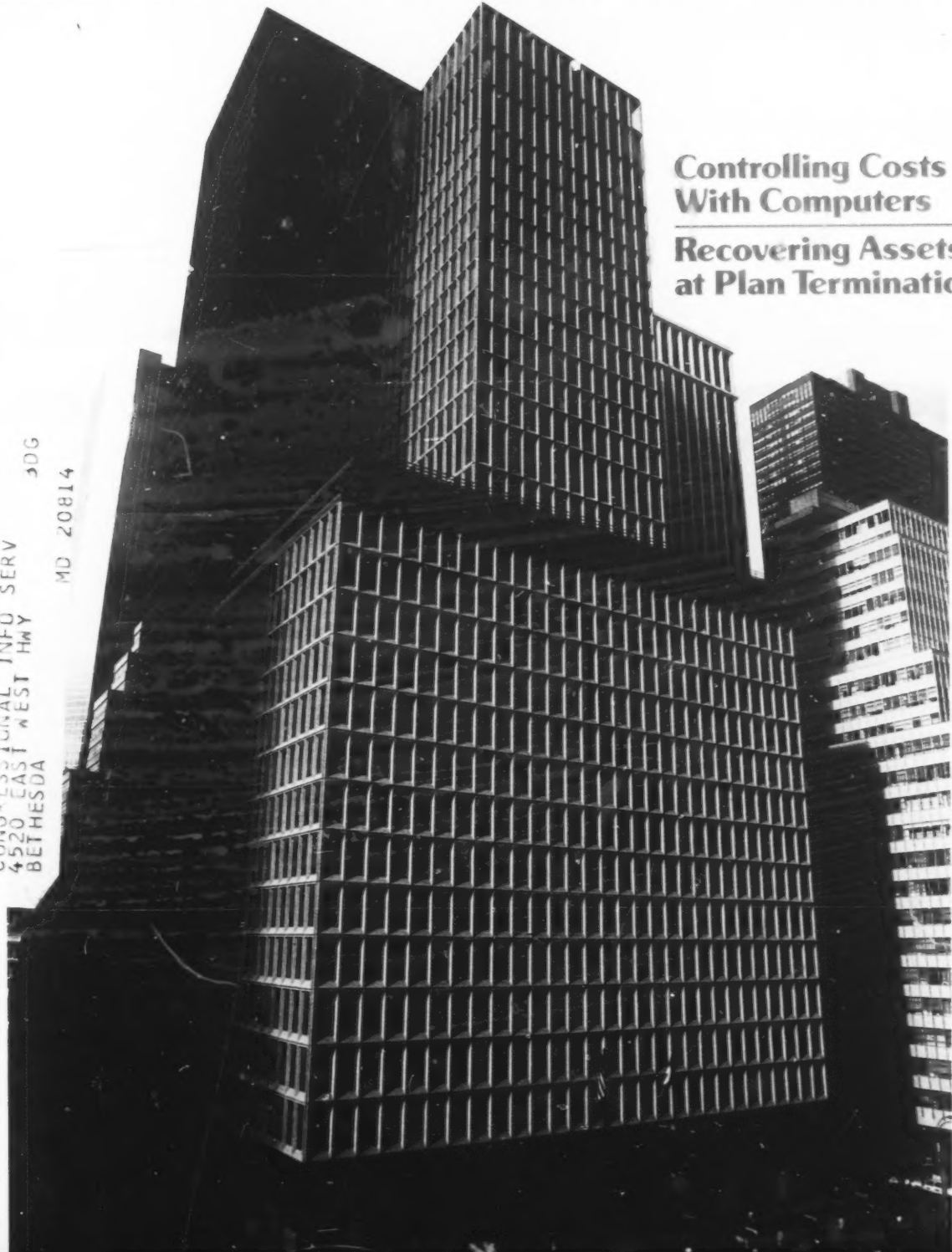
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Pension World

March 1984
Volume 20 Number 3

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Pension World

Bankers Trust—Giant in Pension Asset Management



Cover: Bankers Trust corporate headquarters is located at 280 Park Avenue, New York, N. Y. The story of this giant in the pension asset management field begins on page 20.

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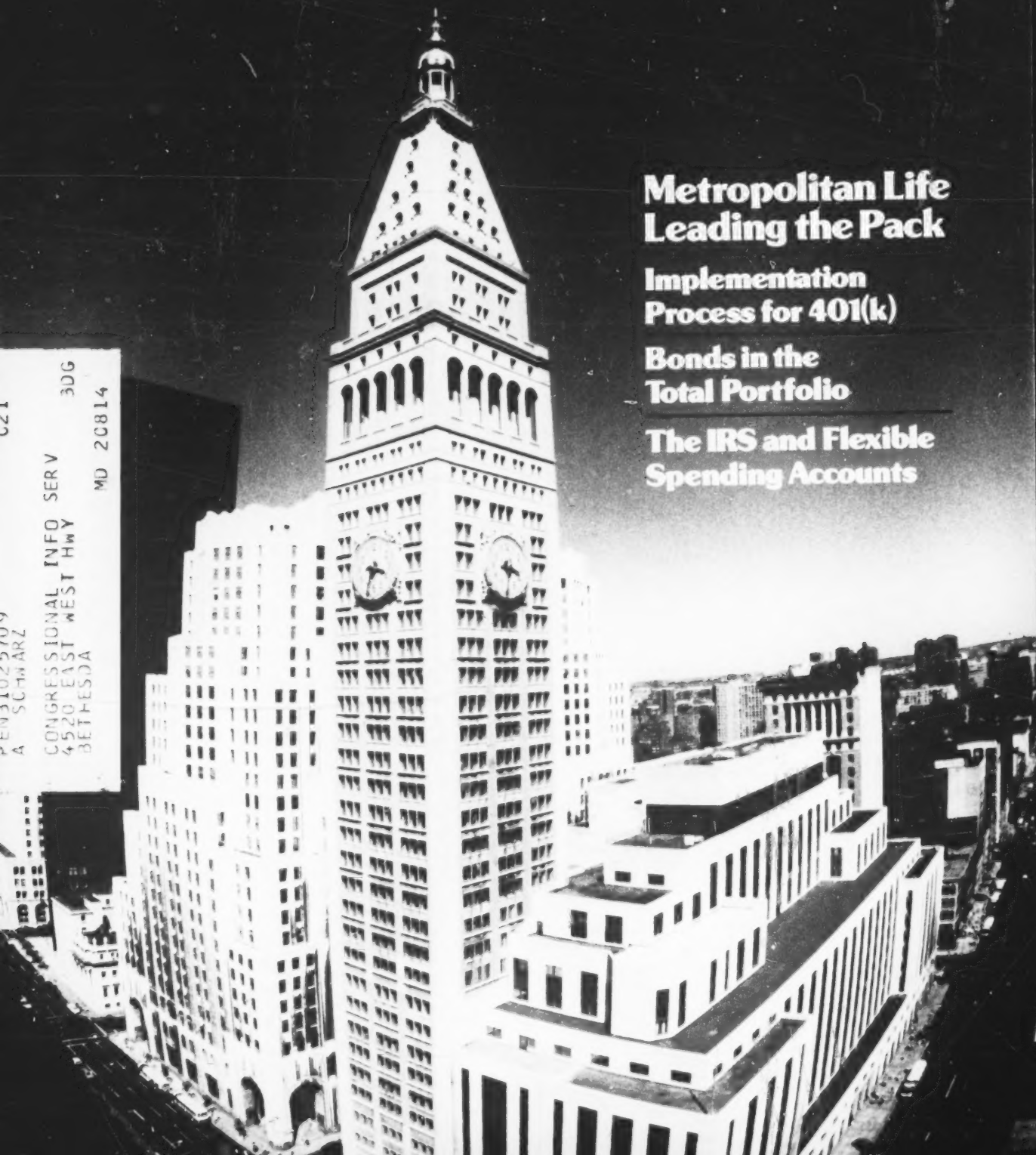
**Metropolitan Life
Leading the Pack**

**Implementation
Process for 401(k)**

**Bonds in the
Total Portfolio**

**The IRS and Flexible
Spending Accounts**

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Pension World

May 1984
Volume 20 Number 5

The Magazine for Plan Sponsors and Investment Managers/A Publication of Communication Channels, Inc.

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Cover: The Tower of Metropolitan Life rises high in the cover photo, just as the firm's investment management position is at the top of the list in pension fund and tax-exempt money. Story begins on page 28.

Cover photo by Karl Nemecek.

Pension World is published monthly by Communication Channels, Inc., Tim Gold Blyth, Chairman of the Board; B.J. Kotsher, President; Scott Smith, Secretary; John Moebius, Treasurer. Editorial and advertising offices at 6255 Barfield Road, Atlanta, GA 30328. Telephone (404) 256-9800. Telex 4611075COMCHANI. **Pension World** is a registered trademark of Communication Channels, Inc. © 1984 by Communication Channels, Inc. Second class postage paid at Atlanta, GA, and at additional mailing offices. Subscription rates: U.S.A., 1 year, \$38; 2 years, \$63; Canada and Mexico, 1 year, \$41; Foreign Sea Mail, 1 year, \$48; Foreign Air Mail, 1 year, \$78. Single copies, \$5.00. Group rates available. The opinions expressed by authors and contributors to **Pension World** are not necessarily those of the editors or publisher. Articles appearing in **Pension World** may not be reproduced in whole or in part without the express permission of the publisher. Microfilm copies of **Pension World** are available from University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106. Postmaster: Please send form 3579 to Circulation Department, **Pension World**, 6255 Barfield Road, Atlanta, GA 30328.

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DOL files suit against counselor and trustees

■ The Department of Labor filed lawsuits February 3, 1983, in the U.S. District Court of the Southern District of Ohio in Cincinnati and the U.S. District Court for the District of Columbia in Washington, D.C., against an investment counselor and 27 trustees of three union pension plans for imprudently investing the plans' assets in companies associated with the investment counselor.

The complaints charge Sidney A. King and the trustees of the International Molders and Allied Workers Pension Fund, the MIRA-Molders and Allied Workers Pension Trust, and the International Association of Machinists and Aerospace Workers (IAM) Pension Plan with violating their fiduciary duties under the Employee Retirement Income Security Act (ERISA).

According to the suits, King breached his fiduciary duties by causing the plans to invest in the securities of companies in which he had an interest and from which he received economic consideration.

The trustees are charged with imprudently relying on the investment advice of King and investing the plans' assets in companies affiliated with him. The suits contend the plans incurred substantial financial losses as a result of the defendants' fiduciary breaches.

The two complaints seek to require that the defendants reimburse the plans with interest for all losses resulting from their fiduciary breaches and to return any benefits or profits derived by them.

The suits also ask the courts to appoint independent investment managers to handle the Molders, MIRA, and IAM plans; to bar King from serving as a fiduciary or service provider to any ERISA-covered plan for 10 years; and to enjoin all defendants from engaging in future violations of ERISA.

Named as defendants in the suits are King; Molders trustees Bernard Butsavage, Stanley J. Mierzejewski, William F. Cates, Floyd J. O'Nesky, Charles A. Boyd, Stanley J. Simmons,

Lawrence J. Schutte, Leon Q. Neimeyer, Jack. I. Nestor, William F. Partridge, Victor W. Alcorn, James P. Stow, III, and the estate of Carl W. Studenroth; MIRA trustees Douglas J. Maher, Earle B. Kaufman, John O'Meara, Walter O. Larson, Orian Williams, as well as Butsavage, Cates, and the Studenroth estate; and IAM trustees Eugene Clover, William Winpisinger, George Poulin, Mark E. Pryor, Jr., Thomas Ducy, Roe Spencer, John F. Peterpaul, Stanley E. Jensen, Justin J. Ostro, and Michael Rygus.

CIGNA opens real estate account

■ CIGNA Capital Advisers, Inc., Bloomfield, Conn., an investment advisory company of CIGNA Corp., has received commitments, totaling \$97 million, for a private real estate limited partnership designed for non-qualified pension funds, foundations, churches, and other organizations that fall under the Internal Revenue Code's 501(c) designation.

Real estate investment continues upward trend

■ Pension fund investors in real estate funds saw a 10.1 percent return for the first nine months of 1983 for properties located in the eastern region of the United States, according to the latest NCREIF report.

The report, published jointly by the National Council of Real Estate Investment Fiduciaries and the Frank Russell Co., is the only property-specific real estate performance yardstick for the United States.

Overall, tax-exempt institutional real estate portfolios continued their upward trend and provided a 7.6 percent return during the third quarter of 1983.

Survey shows ESOP's popularity growing

■ The annual survey of ESOP companies by The ESOP Association shows employee stock ownership plans (ESOP's) are growing in the financial and service industries, but the majority still remain in the light and heavy manufacturing industries.

The manufacturing industry has the largest percentage of employee ownership. The median number of participants in the ESOP is 182, with about 15 percent of ESOP participants being union members.

According to 56 percent of the companies, motivation and productivity increase when employees own part of the company. Ninety-eight percent of the ESOP companies have never asked employees to take a wage reduction or make wage concessions.

On the average, ESOP's own 28.8 percent of the stock of the companies. Eighteen percent of the companies are majority owned by their ESOP. The ESOP's likeliest to grow to majority ownership are those that include union members and those that exhibit strong improvement in employee motivation and productivity. Those companies participating in the 1982 and 1983 ESOP survey had increased ownership by their ESOP from 30.2 to 33.5 percent.

The largest number of ESOP's are closely held, but the publicly traded ESOP's are more likely to be leveraged. PAYSOP's also tend to be greater among publicly traded companies. Two-thirds of the companies offer employee benefits in addition to the ESOP. Geographically, the new ESOP's are appearing in the eastern part of the U.S.

Forty percent of the companies are putting between 10 and 15 percent of covered payroll into the ESOP.

	January-September 1983	Annual Average 1978-1983
All Regions	7.6	15.7
East	10.1	19.9
Midwest	6.2	10.6
South	6.3	14.1
West	7.7	17.3

International Pension World

The changing pattern of social security spending

The Organisation for Economic Co-operation and Development (OECD) recently prepared a report on social spending of the 24 OECD member countries for an international meeting of finance ministers in Paris.

The main message from the OECD is that excessive public spending is a malady that most member countries have. Two more important conclusions were also reached by the OECD:

1. Governments will have a much better prospect of maintaining spending on social services during the 1980's and 1990's than was thought possible a few years ago.

2. A severe public spending crisis looms in all OECD countries. It will be reached about 2010.

Between 1960 and 1975, the industrialized world's real social spending (health, education, pensions, and unemployment) was rising at an annual rate of 8 percent a year. Although this growth was cut in half during the next six years to 1981, the 4 percent average annual rate of real expansion in that period was much higher than now seems feasible for many countries.

The accompanying chart pre-

pared by the OECD provides data on the social expenditure for seven member nations.

Between 1980 and 1990, the number of pensioners in the U.S. is projected to rise by 20 percent, in Japan by 33 percent, but by less than 3 percent in the United Kingdom. It should be understood, however, that from a public expenditure point of view it is a country's entire age profile which matters and not just the number of pensioners. For

example, in France the number of people over age 65 is projected to decline by about 40,000 between 1980 and 1990, but the number of "over 60's" will rise by about 1.2 million during that same period.

Apart from the trend for early retirement in Europe, which has been brought on by high unemployment, the effect on health spending could be dramatic. For example, again looking at France, the average hospital spending on 65-year-olds is about nine times the average for people in their 20's and 30's, and the average cost for people between 55 and 65 is about three times that for people under age 35.

The really severe public spending crisis threatens to strike all the major countries in about 25 years. This is when the post war "baby boom" starts to retire. At that time, a large number of pensioners will be supported by a declining population of working age people.

Since a decade is a very, very long time in politics, the main risk is that the unpopular question of whether pension benefits should be made less generous or whether contributions should be raised will, in all likelihood, not be tackled until it is too late. □



by **VINCENT J. SIMONE**

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Editor, International Benefits
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Social Expenditure (SE)¹

	SE as % of GDP		Real SE per Capital (U.S. Dollars)		Annual Growth Rate of Real GDP		Annual Growth Rate of Real SE	
	1960	1981 ²	1960	1981 ²	1960-75	1975-81 ²	1960-75	1975-81 ²
U.S.	10.9	21.0	422	1,196	3.4	3.2	7.7	2.9
Japan	8.0	17.5	81	639	8.6	5.1	9.7	8.9
West Germany	20.5	31.5	380	1,876	3.8	3.0	6.7	1.9
Canada	12.1	21.7	369	1,028	5.1	3.3	9.5	2.9
France ³	13.4	23.8	272	936	5.0	2.8	7.4	7.6
Italy	16.5	29.1	204	344	4.6	3.2	7.4	3.1
U.K.	13.9	24.9	290	547	2.6	1.0	5.6	3.3

¹Health, pensions, education, unemployment, and other benefits.

²Or latest year available.

³French figures exclude education expenditure.

Source: OECD

company also had a defined contribution plan (profit-sharing, etc.) from which cash withdrawals could be obtained, or whether the company was comparatively large (as measured by level of sales) or smaller? To test this idea, we created two-way tables to which we applied the chi-square test for statistical significance; a relationship was considered significant at the 0.05 level.

Results for salaried employee plans. We found that a significantly greater percentage of firms with annual sales over \$2 billion offer salaried employees a lump-sum option at retirement than do firms with sales under \$2 billion. However, no size-related significant relationship was found concerning the availability of the lump-sum option at termination prior to retirement. Nor was a significant relationship found between the contributory or non-contributory character of the plan and the availability of the lump-sum option (either prior to or at retirement.) The presence or absence of an accompanying defined contribution plan was unrelated to the availability of the lump sum (either prior to or at retirement).

Results for hourly employee plans. The statistical tests indicate that companies with a defined contribution plan in addition to the defined benefit plan for hourly employees are more likely to offer the lump-sum option than are companies without an accompanying defined contribution plan. This association is true both for termination prior to and at retirement. No significant relationship was found for company size or contributory/non-contributory status and presence of the lump-sum option, either prior to or at retirement.

Limits on availability of the lump-sum distribution. Similarly, are there particular circumstances or characteristics of a Fortune 500 company's defined benefit pension plan that often accompany the presence of limits where the option is available? Statistical tests paralleling those described above were performed to answer this question. For salaried employees, there was no statistically significant relationship between contributory/noncontributory status and the presence of limits among plans permitting lump-sum distributions. Similarly, there was no significant statistical

relationship between size of company and the presence of limits, or between defined benefit plans with an accompanying defined contribution plan and the presence of limits. The same was true for hourly employees: no significant relationship was found between the presence of limits and the contributory status of the plan, the size of the plan, or the presence or absence of an accompanying defined contribution plan.

Conclusion

The beneficial tax results available under 10-year forward averaging plus the advantages of IRA rollovers have spurred employee interest in lump-sum distributions. Employers have had to weigh this interest in conjunction with a pension plan's traditional goal of paying an income for life to retired employees and their spouses. To date, a great majority of employers continue to restrict the pension benefit to some form of lifetime annuity. Most of the corporations with the lump-sum option have established limits on its availability. If market interest rates are beginning a new upward spiral, however, employers may soon be faced with the need to reassess offering the lump-sum option in light of heightened demand from employees. □

TIAA/CREF provides individual annuities for use in defined contribution pension plans for educational organizations, under which retirement benefits are payable only as life annuities. There is no cash option except for beneficiaries of employees who die prior to starting their retirement annuity benefits.

For this survey, "retirement" includes terminations at both early and normal ages as prescribed by the pension plan. Early and normal retirements were combined to make the questionnaire short and easy to complete. A review of prior surveys indicates there are only small variations in lump-sum availability at early and normal ages.

Examples 4, 5, and 6 are highly restrictive financial requirements that essentially limit lump-sum eligibility to a few top, financially well-off employees. Reclassifying the restrictive plans increases the number of employers not permitting lump-sum distributions at retirement by 11 (to a total of 78 percent of employers) for salaried and 4 (to 86 percent of employers) for hourly employees. All except one of these restrictive plans do not permit lump-sum distributions prior to retirement for either salaried or hourly employees.

JMB Institutional Realty

(Continued from page 36)

estate is without a certain risk, Lillard feels that the long-term rewards for pension funds are substantial. According to JMB, the unleveraged return of 15.77 percent for real estate owned by public partnerships was achieved during the 1973-81 period, with strong cash flow each year. From inception (August, 1980) to March, 1983, the JMB Group Trust I provided total annualized return of 14.8 percent. The firm claims that total returns to JMB Group Trust investors from properties held by the partnerships would have projected out each year from 1973 to 1981 respectively as follows: 14.3 percent, 14.7 percent, 11.9 percent, 13.4 percent, 13.8 percent, 17.7 percent, 18.7 percent, 19.3 percent, 14.7 percent.

"We think an investor should achieve a rate of return of about 10 percent in excess of inflation," he estimates. "If a plan sponsor, for example, sees a rate of inflation of 5 percent annually over the next 10 years, a rate of return of 12 to 15 percent annually should be possible."

Pensions and real estate

Lillard feels that real estate is an important and growing investment for pension funds. "Retirement funds generally have about 4 percent of their total assets in real estate," says he. "The larger funds have a somewhat higher percentage, and a good many have a target of 10 percent. A growing number have a target of 15 percent to 20 percent."

A key attraction of real estate to pension funds is that the asset class adjusts as liabilities rise and fall. "Pension funds need to estimate salaries, and that is where they can make a big error in judgment, because if the rate of inflation is greater than anticipated, it will ultimately mean a lot more money going out," explains Lillard. "If inflation is high, bonds will drop in price and stocks will go down, but real estate will adjust to the inflation."

What about real estate as an investment in a low inflation climate? "Real estate will still be a satisfactory investment in times of low inflation as well," concludes Lillard. "It is an investment for all seasons." □

JULY 1984

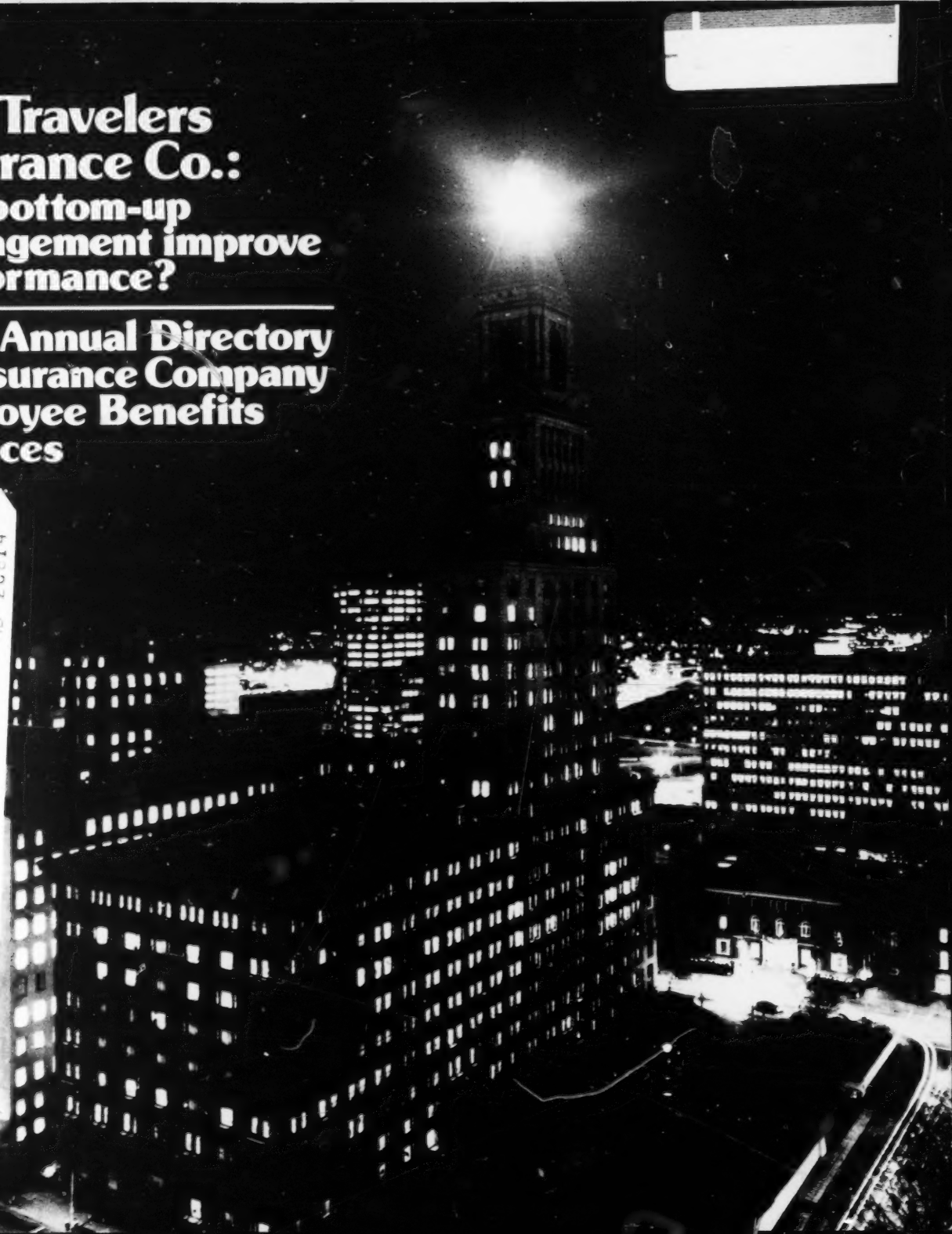
Pension World®

The Magazine for Plan Sponsors and Investment Managers/ A Publication of Communication Channels, Inc.

**The Travelers
Insurance Co.:**
Can bottom-up
management improve
performance?

**Fifth Annual Directory
of Insurance Company
Employee Benefits
Services**

021
JUL 1984
MD 20814



Pension World

July 1984
Volume 20 Number 7

The Magazine for Plan Sponsors and Investment Managers/A Publication of Communication Channels, Inc.

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Cover: The Travelers' beacon lights the Hartford skyline. Ronald Derven's profile of Thomas Keating, vp-group pension division, begins on page 21.

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NEWS Pension World

VOLUME 20 NUMBER 7

JULY 1984

TUCS shows markets outpaced managers

■ Three-quarters of the equity portfolios in the Trust Universe Comparison Service (TUCS) database underperformed the market for the first quarter of 1984 as represented by the Standard & Poor's 500-Stock Index. Fifty-four percent of the fixed-income portfolios underperformed the Lehman Government/Corporate Index. The median equity portfolio returned -5.1 percent, while the median fixed-income portfolio returned 0.4 percent. The median balanced portfolio returned -1.9 percent.

Over a period of five years, active managers have performed somewhat better than the general markets. The median equity portfolio returned 15.9 percent annually, versus the S&P 500

Total Rates Of Return Periods Ending March 31, 1984				
	Current Quarter	1 Year	3 Years*	5 Years*
Balanced Funds				
Median	-1.9%	4.9%	12.0%	12.7%
Equity Funds				
Median	-5.1%	2.9%	10.7%	15.9%
S&P Index	-2.4% (25)	8.6% (28)	10.7% (50)	15.0% (59)
Fixed-Income Funds				
Median	0.4%	4.8%	14.0%	9.6%
Lehman Government/ Corporate Index	0.5% (46)	5.2% (42)	14.9% (30)	9.4% (56)

() Percentile Ranking
* Annualized

return of 15.0 percent; and the median bond portfolio returned 9.6 percent annually, versus the Lehman Government/Corporate return of 9.4 percent.

TUCS is a database of over

3,300 investment portfolios, representing approximately 300 money management firms and over \$200 billion in assets. Thirty-five banks and insurance companies participate in TUCS.

Self-insurance: key to health costs?

■ Self-insurance may be a key in controlling the rise in health care cost for employers, according to a survey by the Bureau of National Affairs, Inc. (BNA). The report, entitled "Health and Life Insurance Benefit Plans," reveals that nearly half of all employers providing health insurance to their work forces now self-insure at least part of their medical benefits package. Firms that have reported significant cost savings, attribute their success to self-insuring the benefit plans.

The Personnel Policies Forum, a panel of human resources executives representing a cross section of U.S. industry, surveyed 221 employers and found that 46 percent of the employers that provide health benefit plans to plant or service workers, fund at least part of their benefits package

through self-insurance, compared to only eight percent self-insuring health benefits in 1978.

The extent of concern about the escalation of benefit costs is reflected in the survey's finding that 81 percent of the 221 responding firms had recently taken or were planning to take steps to reduce their health plan costs, compared with 34 percent of employers in 1978.

Other results from the survey showed:

- all of the employers responding to the survey provide group life insurance benefits and medical expense benefits to their employees;
- more than one-third of the responding employers have separate plans providing base hospital/surgical benefits and major medical coverage.

Northwestern Nat'l offers new service

■ Through an affiliation with the Frank Russell Investment Management Co., Tacoma, Wash., the Northwestern Bank of Greensboro, N.C., now offers its tax-exempt trust customers shares of six distinct investment funds and a computerized asset allocation model.

Walton C. Jennette, senior vice president and manager of Northwestern's Trust Division, said, "Through the computerized asset allocation model and the six separate investment funds (three equity funds, two fixed-income funds, and an international fund), our trust officers will work with their customers to create investment programs specifically designed for the special needs and investment goals of each individual account."

International Pension World

Switzerland braces for new pension legislation

The new Swiss Pension Legislation, which becomes effective as of January 1, 1985, was enacted in 1982 after considerable discussion at both the Federal and cantonal levels. Employers who have plans now will have up to five years to bring these plans into line with the new legislation. However, the requirement for equal employee representation on the administrative committee of the pension fund must be implemented effective January 1, 1985. This will limit an employer's ability to decide how to implement plan changes. Accordingly, all employers in Switzerland need to review their pension arrangements, both to assure compliance with the new rules and to take advantage of some relatively recent changes in the Swiss investment climate.

The new law

The Swiss Second Pillar Legislation, often referred to as the BVG or LPP (the German and French acronyms for this legislation) will become effective on January 1, 1985. From that date all employers must provide certain minimum retirement benefits on pay up to SFr 49,680 (or U.S. \$22,000).¹ The normal retirement benefit is based on a defined contribution formula with an interest rate of four percent. The objective is to provide a benefit of 60 percent of pay inclusive of social security. Total contributions are defined by law as indicated in Table 1, with the employer bearing at least 50 percent of the cost.

In addition, employers must pay the cost of risk benefits (1.3 percent), "special measures," including cost-of-living increases (1.0 percent), and a Guarantee Fund (0.3

Table 1 Total Contributions by Age			
Male Age	Female Age	Percent of Covered Earnings*	
		1st & 2nd Year	Thereafter
25-34	25-31	7%	7%
35-44	32-41	10	10
45-54	42-51	11	15
55-65	52-62	13	18

*between SFr 16,560 and 49,680

percent), which add another 2.6 percent of covered payroll. The Guarantee Fund will subsidize those funds whose average costs exceed 14 percent of covered payroll.

The legislation also stipulates minimum disability pensions (equal to the expected old age pension with no allowance for future interest credit), widows' pensions (equal to 60 percent of the disability pension), and children's pensions. The accumulated contributions in an employee retirement account are fully vested and may be transferred to a new employer. Finally, there must be equal representation of employees and the company on the board of the foundation, or on the company pension committee if the plan is part of a multi-employer foundation.

Compliance issues

The new law will force changes that are more than cosmetic in all Swiss pension plans. Basically, an employer faces a crucial decision about whether to introduce the re-

quired benefits as a minimum under a more generous existing plan, or to establish a separate minimum plan, cutting back present plan benefits. (Any employer without a program offering the minimum benefits will be required to begin one.)

At first glance, employers might be tempted to fold the required benefits into an existing plan. The major advantage would appear to be simplicity of documentation and administration. But there are a number of disadvantages that apply to maintaining a single plan.

- Although the company has a single plan, the employer must keep track of the minimum benefit and its costs as if it were a separate plan. In actuality, the administration of a single plan may be more complex than it seemed at first glance.

- Few employers are eager to share control of their pension decisions with employees. Employers maintaining a single plan effectively lose control over decisions affecting the entire plan. Employers with separate plans, on the other hand, must allow equal employee representation on only the minimum benefit plan, thus keeping decision-making authority over the supplemental plan.

by **JOHN C. ROBERTS**
Partner
Hewitt Associates
Rowayton, Conn.

¹Exchange rates as of May 1984.

Table 2 Five-Year Fund Manager Performance

Year	Returns on Investment			Increase in Cost of Living
	Average Insurance Company	Bank X Pooled Fund (Balanced)	Bank Y Individually Managed Fund	
1979	4.2%	(0.1%)	5- 7%	3.6%
1980	4.5	5.1	7-10	4.0
1981	4.7	(0.7)	1- 2	6.5
1982	5.0	15.5	14-17	5.7
1983	5.0	12.2	14-18	2.1
Five-Year Average	4.7%	6.2%	8-11%	4.4%

• The vesting schedule for the employer's existing plan and for the new required benefits in all likelihood would differ. When the plans are combined, employers are permitted to retain the vesting rule for the entire plan as long as the minimum vested benefit required by the BVG law is being provided. This often results in a smaller vested benefit than if two separate plans are maintained. Employers in the UK are familiar with this practice, known as "franking," where it has already caused considerable controversy. If proposed legislation is enacted, franking will not be permitted in the UK in the future. There is reason to believe that franking will be just as unpopular with employees in Switzerland as with those in the UK.

Providing a separate plan

Most employers will experience a substantial cost increase as they provide for the necessary changes. Employees may better understand and accept the reason for an increase in their contribution if the minimum benefits are provided as a separate plan rather than incorporated into the existing plan.

A portion of payroll must be set aside to pay for improved benefits for the "entry generation" and for cost-of-living increases. By separating the plans, it may be simpler to apply such increases only to the legally required portion of the benefit.

A related issue employers may want to consider is the duplication of employee benefits upon disability. A new accident insurance law provides for long-term disability pensions and survivor income arising from accidents causing disability or death. Employees may also be eligible for such benefits from em-

ployer pension plans, including the benefits required by the BVG law.

As employers otherwise change their company pension plans to comply with the law, they may want to provide that the company benefit offset the benefit insured under the accident law. This ensures that a disabled employee's income will not exceed his or her prior salary. The cost savings from this change, however, will not be substantial.

Investment opportunities

In Switzerland, insurance companies have traditionally dominated the pension fund market, except for the very large funds. However, over the last several years, Swiss banks have become much more interested in the management of pension funds, setting up separate departments to handle both pooled and individually managed accounts. While bank management still may be inappropriate for the very smallest of funds, the investment manager climate in Switzerland has indeed changed from the days when only a handful of funds were not insured.

More significantly, the investment performance of Swiss banks has outpaced the insurers in recent years. Table 2 provides a snapshot comparison of representative fund managers. Data are based on five-year performance records of three Swiss insurers under their multinational pooling accounts, a "typical" pooled account, and a range of performance for an "average" individual account manager. The last column shows the low (by U.S. standards) Swiss inflation rate.

As the table illustrates, Swiss insurers have credited interest averaging 0.3 percent above the inflation rate over the past five years. The pooled fund for a bank with "aver-

age" performance earned a real return of 1.8 percent during the period. Individually managed funds (for which a minimum account of SFr 5,000,000 would be required) returned 3.6 percent to 6.6 percent above the cost of living. To a large extent the Swiss insurers have been hampered by substantially large investments in real estate which have produced below average returns in recent years. The banks have pursued a more diverse investment strategy which has helped boost

Over the last several years, Swiss banks have become much more interested in the management of pension funds, setting up separate departments to handle both pooled and individually managed accounts. The investment performance of Swiss banks has outpaced the insurers in recent years.

their performance during the same period.

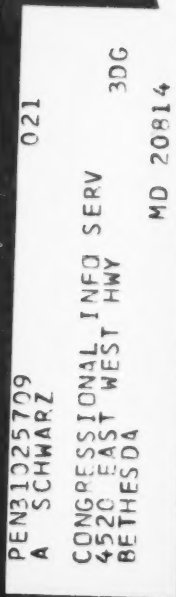
While the rates of return may appear to be low by U.S. standards, the differences among the managers would appear to be great enough to warrant investigation of pooled or individually-managed funds. To some extent, the data for comparison purposes may be harder to come by in Switzerland due to the traditional privacy restraints under which the banks operate. Yet the effort would appear to be worthwhile given the stronger performance of bank managers.

In summary, the Second Pillar Legislation will affect the pension plan of every Swiss employer. Because changes will be required, employers may find this an ideal opportunity to take stock of their benefit objectives and to redesign their plans to fit these objectives. □

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Special Section: State Retirement Update



Pension World

August 1984
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Cover: Six members of the management team at Manufacturers Hanover Investment Corporation gather for our cover. They are: seated, Victor J. Melone; standing, left to right, Lawrence S. Harris, Hilton M. Jervey, William C. Petty III, Ralph J. Mills, Jr., and Kristen Gamble. A profile of their organization begins on p. 24.

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Special Section: State Retirement Update

11th Annual Survey of State Retirement Systems

Pension World's 1984 Investment Survey of State Retirement Systems includes 66 public retirement systems from across the United States. The investment data that follow were compiled from responses to *Pension World's* questionnaires, which were mailed during April 1984, to the administrators or directors of investment of 88 state systems.

Few systems reported a change in the structure of their fund management in the past year. Only five funds added discretionary managers for the first time, and only five added nondiscretionary advisors.

In the past year, state funds have made impressive gains in size. With holdings of each state's funds combined, six states increased, on a dollar-for-dollar basis, more than 25 percent. Six states increased 21 to 25 percent, 13 states increased 16 to 20 percent, 10 states increased 11 to 15 percent, and only one state increased 0 to 10 percent. None of the states included in the survey showed a decrease for the period.

Several points should be noted for accurate interpretation of the data:

- All figures are at cost unless otherwise noted and are based on completed responses to the *Pension World* questionnaire.
- Where breakdowns were provided by the state systems, government-insured mortgages are included in the "Mortgage" category and noted as such.
- Because some states included receivables, member loans, accrued interest, etc., in the figure for "Total Assets" but did not show these items under individual categories, the breakdowns for some systems may not add up to the figure given for "Total Assets."
- Where funds are described as "internally administered," any investment advisors listed are nondiscretionary unless otherwise noted.
- Investments in the "Other" category, as itemized by individual systems, included gold, convertibles, GIC's, CD's, private placements, foreign securities, Canadians, government-guaranteed loans, venture capital, capital notes, FHA promissory notes and certificates of beneficial ownership, building certificates, warrants, World Bank Bonds, and municipals.

Name and address of fund	Contact person and phone	Total assets (\$ millions)	Common and preferred stock (\$ millions)	U.S. gov't securities and agencies (\$ millions)	Corporate bonds (\$ millions)
The Retirement Systems of Alabama 135 South Union Street Montgomery, AL 36130	David G. Bronner Secretary-Treasurer 205/832-4140	3,811 (bk.)	174 (bk.)	3 (bk.)	1,335 (bk.)
State of Alaska, Public Employees Retirement Systems Pouch SB Juneau, AK 99811	Brian Andrews Comptroller 907/465-2350	959	89	468	31
State of Alaska, Teachers Retirement System Pouch SB Juneau, AK 99811	Brian Andrews Comptroller 907/465-2350	652	79	281	26
Public Safety Personnel Retirement System 3033 N. Central Ave. Suite 411 Phoenix, AZ 85012	Lowell Sutton Administrator 602/274-3003	601.7 (bk.)	252.3 (bk.)	138.9 (bk.)	185.9 (bk.)
Arizona State Retirement System P.O. Box 33910 Phoenix, AZ 85067	Max Sullivan Director 602/255-5131	2,801.4	1,269.4	614.9	540.3
Arkansas Public Employees Retirement System One State Capitol Mall Little Rock, AR 72201	Fred E. Henne Executive Director 501/371-3679	649 (bk.)	170	227	176
Arkansas State Police Retirement System One State Capitol Mall Little Rock, AR 72201	Fred E. Henne Executive Secretary 501/371-3679	37 (bk.)	9	10	14
Arkansas Judicial Retirement System One State Capitol Mall Little Rock, AR 72201	Fred E. Henne Executive Director 501/371-3679	2 (bk.)	0	1.8	0
Arkansas Teacher Retirement System Educational Bldg. West, Capitol Mall Little Rock, AR 72204	Mavolene C. Booth Asst. Dir. of Investments 501/371-1517	875	293.7	333.3	23
Arkansas State Highway Employee Retirement System P.O. Box 2261 Little Rock, AR 72203	J.E. McCarthy Executive Secretary 501/569-2411	128.2	32.8	40.4	48.9
Public Employees' Retirement System of California 1416 Ninth Street Sacramento, CA 95814	Walton R. Williams Acting Chief of Investments 916/445-7700	21,895 (bk.)	5,182 (bk.)	1,796 (bk.)	6,683 (bk.)
Public Employees Retirement Association of Colorado 1300 Logan Street Denver, CO 80203	Robert Gray Administrative Aid to Exec. Sec. 303/832-9550	3,915	1,512	742	384

Mortgages (\$ millions)	Other real estate (\$ millions)	Cash and short-term securities (\$ millions)	Other (\$ millions)	Reporting date	Investment advisors
1,194 (bk.-gov't backed)		281 (bk.)	804 (bk.-private) 20 (bk.-GIC)	3/31/84	Internal administration: AmSouth Bank
263	56	52		3/31/84	Discretionary: James R. Wilson
181	39	25	Gold 21	3/31/84	Discretionary: James R. Wilson
none	none	25.1 (bk.)	none	5/1/84	Internal administration: Duff & Phelps Inc., Research
187.6 (gov't backed)	1.7	214.6	27.1	6/30/83	Discretionary: Bernstein-Macaulay, Criterion, Fiduciary Trust Co. of N.Y., INVESCO Capital Mgmt., Kemper Financial Services, Gardner & Preston Moss, Valley National Bank, Wells Fargo Investment Advisors; Nondiscretionary: E.F. Hutton, Consulting Group, SEI Funds Evaluation Services
66 (gov't backed)	0	8	(Bank Capitol Notes) 2	3/31/84	Loomis, Sayles & Company
2 (gov't backed)	0	1	(Bank Capitol Notes) 1	3/31/84	Loomis, Sayles & Company
	0	.2		3/31/84	Loomis, Sayles & Company
28.4 (private) 35.5 (gov't backed)	none	146.9		3/31/84	Discretionary: Oppenheimer Capital Corp.
0	0	4.7	(Capitol Bank Notes) 750,000.00 (Savings & Loan Certificates) 320,000.00 (Promissory Notes & Certificates of Beneficial Ownership) 155,581.84	3/31/84	Internal Administration: Loomis, Sayles & Company
2,198 (bk.) 4,707 (bk.-gov't backed)	551 (bk.)	632 (bk.)	66 (Convertible Debentures) 16 (Remainderman Land Interest)	3/31/84	Internal Administration: Citicorp Invest- ment Mgmt., Inc.; Bankers Trust Investment Counsel: F.I.A. Associates, Inc.
566	61	425	141 (private placement) 84 (GLC)	3/31/84	Internal Administration: Provident Nat'l Bank, Bankers Trust

Name and address of fund	Contact person and phone	Total assets (\$ millions)	Common and preferred stock (\$ millions)	U.S. gov't securities and agencies (\$ millions)	Corporate bonds (\$ millions)
Connecticut Retirement Funds 20 Trinity Street Hartford, CT 06115	Guy E. Garcia Asst. Invest. Officer 203/566-3705	2,765 (mkt.)	955 (mkt.)	437.8 (mkt.)	749.0 (mkt.)
Florida Retirement System 1230 Blountstown Highway Tallahassee, FL 32303	Andrea Zabinski Financial Services Acct. 904/488-4406	6,657 (bk.)	2,660 (bk.)	2,263 (bk.)	1,119 (bk.)
Georgia State Retirement Systems Two Northside 75 Atlanta, GA 30318	Graham R. Lynch Dir. of Invest. Services 404/652-2151	4,540	1,523	1616	1,194
State of Hawaii Employees' Retirement System 888 Mililani Street Suite 502 Honolulu, HI 96813	Stanley Siu Secretary 808/548-7593	2.1	539	528.8	201.3
Public Employee Retirement Systems of Idaho Statehouse Boise, ID 83720	W. F. Reese Deputy Dir.-Finance 208/334-3367	662 (mkt.)	287 (mkt.)	60 (mkt.)	70 (mkt.)
Teachers' Retirement System of the State of Illinois 2815 West Washington St. Springfield, IL 62708	Charles F. Hofer Investment Officer 217/753-0311	3,588 (mkt.)	1,303 (mkt.)	806 (mkt.)	317 (mkt.)
Illinois State Universities Retirement System 50 Gerty Drive Champaign, IL 61820	Charles M. Hundley Assoc. Dir. 217/333-3860	1,550	674	474	99
Public Employees' Retirement Fund of Indiana Suite 800, 143 W. Market St. Indianapolis, IN 46204	C. Philip Barnes Manager-Investment Dept. 317/232-1621	1,216	0	602	348
Indiana State Teachers Retirement Fund 506 State Office Bldg. Indianapolis, IN 46204	Edmond Niehoff Asst. Executive Secretary 317/232-3863	800	0	300	250
Iowa Peace Officers' Retirement System State Capital Des Moines, IA 50319	Roger Barnett Deputy Treasurer 515/281-5369	36	6	9	9
Iowa Public Employees' Retirement System 1000 E. Grand Des Moines, IA 50319	Larry Thompson Investment Accountant 515/281-5224	2,146	289	923	756

Mortgages (\$ millions)	Other real estate (\$ millions)	Cash and short-term securities (\$ millions)	Other (\$ millions)	Reporting date	Investment advisors
334.2 (mkt.-private) 260.2 (mkt.-gov't backed)	194.6 (mkt.)	272.0 (mkt.)		4/30/84	Internal Administration: Babson & Co.; Bernstein-Macaulay; CBT; CNB; Capital Guardian Trust Co.; CIGNA; Wright Investors; Scudder, Stevens & Clark; Lehman Mgmt.; Loomis & Sayles; Financial Mgmt.
none	340 (bk.)	275 (bk.)	none	3/31/84	Discretionary: Bankers Trust; Bear Stearns; Travelers Invest. Mgmt. Co.; Balch, Hardy & Scheinman; Equitable Life Ass. Soc.; Aetna Life Ins. Co.; First Nat'l Bank of Boston; John Hancock Mutual Life; First Nat'l Bank of Chicago; Prudential Ins. Co.
29 (private) 10 (gov't backed)	6	162		4/30/84	Internal Administration: Citizens and Southern Nat'l Bank; First Nat'l Bank of Atlanta; Trust Co. of Ga.; INVESCO Capital Mgmt.; Thorndike, Doran, Paine & Lewis
438 (private) 105 (gov't backed)	88.5	43.5	23.7 (International) 138.0 (GIC)	12/30/83	Bernstein-Macaulay, Inc.; Delaware Investment Advisors, Inc.; Eagle Mgmt. & Trust Co.; Fayed Sarofim & Co.; Lehman Mgmt. Co.; Loomis, Sayles & Co., Inc.; Pacific Investment Mgmt. Co.; Scudder, Stevens & Clark, Inc.; Security Pacific Investment Managers; Wentworth, Hauser & Viblich; Daiwa International Capital Mgmt. Corp.; Nomura Capital Mgmt., Inc.
52 (mkt.)	78 (mkt.)	77	19 (mkt.-private placements) 12 (mkt.-convertibles) 3 (mkt.-foreign bonds)	3/31/84	Discretionary: Alliance Capital Mgmt. Corp., First Interstate Bank (Boise), Equitable Life Ass. Soc., First Security Bank of Idaho, Idaho Bank & Trust Co., Idaho First Nat'l Bank, Prudential Ins. Co., Trident Investment Mgmt., Inc.
305 (mkt.-gov't backed)	20 (mkt.)	837 (mkt.)		3/31/84	Discretionary: Batterymarch Financial Mgmt.; CMB Investment Counselors; Criterion Investment Mgmt. Co.; Alliance Capital Mgmt. Co.; Drayfus Mgmt. Inc.; Mackay-Shields Financial Corp.; Pacific Investment Mgmt. Co.; T. Rowe Price Assoc., Inc.; Springfield Marine Bank; Kemper Financial Services, Inc.
	14	273	16 (GIC)	3/31/84	Discretionary: Batterymarch Financial Mgmt., Alliance Capital, Fayed Sarofim, American Nat'l Bank, Dimensional Fund Advisors, Lehman Mgmt., Pacific Investment Mgmt. Co., Criterion Mgmt. Nondiscretionary: Ennis Knupp and Gold
80 (gov't backed)	0	262	4 (private placements)	3/31/84	Discretionary: American Fletcher National Bank; Indiana National Bank; Lehman Mgmt. Co., Inc.; T. Rowe Price Associates, Inc.
150 (gov't backed)	2	98		12/31/83	Discretionary: Alliance Capital; American Fletcher National Bank; Indiana National Bank; Baxter & Hoops, Inc.; Indiana National Bank (custodian)
6 (gov't backed)	0	5		6/8/84	Discretionary: Loomis, Sayles & Co.
111 (gov't backed)	0	178		3/31/84	Discretionary: The Boston Co., Alliance Capital Management Corp., Capital Guardian Trust Co.; Nondiscretionary: Seven-Member Investment Advisory Board

Name and address of fund	Contact person and phone	Total assets (\$ millions)	Common and preferred stock (\$ millions)	U.S. gov't securities and agencies (\$ millions)	Corporate bonds (\$ millions)
Kansas Public Employees' Retirement System Jayhawk Tower-8th Floor 700 Jackson St. Topeka, KS 66603	Marshall Crowther Executive Secretary 913/232-6665	1,875.2	520.2	494.8	226.3
Kentucky Judicial Retirement Fund P.O. Box 791 Frankfort, KY 40602	Donna Stockton Secretary-Treasurer 502/564-5310	37.3	13.6	22.2	1.5
Kentucky Legislators Retirement Fund P.O. Box 791 Frankfort, KY 40602	Donna Stockton Secretary-Treasurer 502/564-5310	6.5	1.2	4.8	.5
Kentucky Retirement Systems 226 West Second St. Frankfort, KY 40601	Bobby J. McKee Operations Manager 502/564-4646	1,218 Billion	369	289	205
Kentucky Teachers' Retirement System 216 West Main Frankfort, KY 40601	Stuart A. Reagan Investment Officer 502/564-2057	1,474 (bk.)	212	533	272
Louisiana School Employees' Retirement System P.O. Box 44516 Baton Rouge, LA 70804	J. Michael Dodds, III Secretary-Treasurer 504/925-6484	325	3.9	111	156.5
Louisiana State Employees' Retirement System P.O. Box 44213 Baton Rouge, LA 70804	Vernon L. Strickland Director 504/342-5098	1,291	62	550	341
Louisiana State Police Retirement System P.O. Box 66614 Baton Rouge, LA 70896	Richard J. Maciasz Manager 504/925-4878	15.7	0	6.7	5.1
Teacher's Retirement System of Louisiana P.O. Box 44123 Capital Station Baton Rouge, LA 70804	Jennifer Netterville Investment Portfolio Investment Specialist 504/925-6470	1,529.1 (bk.)	99.6	1,037.2	525.1
Maine State Retirement System State Office Bldg. Station #46 Augusta, ME 04333	William B. Ross Accountant III 207/289-3461	624.3 (bk.)	296.1 (bk.)	102.4	81.7
Michigan Municipal Employees' Retirement System P.O. Box 30026 Lansing, MI 48909	John W. Fonger Manager 517/373-9317	678	227		281
State of Michigan Retirement Systems Michigan Dept. of Treasury P.O. Box 15128 Lansing, MI 48901	William A. Amerman Dir. of Investments 517/373-3140	8,633.6	3,083.9	1,976.7	1,882.2
Minnesota State Board of Investment Rm. 105 55 Sherburne Ave. St. Paul, MN 55155	Mike Schmitt Administrative Director 612/297-2674	7,048	2807	947	1,052
Public Employees' Retirement System of Mississippi 1704 Walter Sillers Bldg. Jackson, MS 39201	James Mayfield Deputy Director 601/359-3589	1,811	198	887	317

Mortgages (\$ millions)	Other real estate (\$ millions)	Cash and short-term securities (\$ millions)	Other (\$ millions)	Reporting date	Investment advisors
66.6	9.9	543.2	14.1 (IRB)	3/31/84	Discretionary: Investment and Capital Mgmt. Corp.; Reiner & Koger Assoc., Inc.; Marine Midland Bank; Pilgrim Baxter, Hoyt & Greig; Provident Investment Counsel Inc.; Investment Mgmt. Group; Robert C. Brown & Co., Inc.; Pacific Investment Mgmt. Co.; Capital Supervisors, Inc.
none	none		none	3/31/84	Internal Administration: Investment Counsel
none	none		none	3/31/84	Internal Administration: Investment Counsel
195 (gov't backed)		160		3/31/84	Internal Administration
185 (gov't backed)	18	153	94 (U.S. Guaranteed) 255 thousand (State & Local gov't)	3/31/84	Internal Administration: Todd Investment Advisors, Alliance Capital Mgmt.
		40.9	12.7 (receivables)	6/30/83	Hibernia National Bank of New Orleans
29 (private)	1	308		4/30/84	Internal Administration: Hibernia Nat'l Bank Trust Department of New Orleans, La.; Security Pacific Investment Managers
	0	1.1	2.6 (GIC)	3/30/84	Internal Administration: Louisiana Nat'l Bank
		259.9	5.9 (C.D.'s)	12/31/83	Internal Administration: Scudder, Stevens & Clark; Massachusetts Financial Services; Hibernia Nat'l Bank of New Orleans; Citicorp Investment Management Service; M.D. Sass Investors Service
.2 (gov't backed)	31.9	102.3	9.7 (GIC)	3/31/84	Discretionary: Putnam Advisory, Alliance Capital, FLA Asset Management, Mass Financial Services, Merrill Trust, Maine Nat'l, Canal, Casco-Northern, Fidelity Management Trust, Morgan Guaranty, Travelers Insurance
5 (gov't backed)		87	78 (GIC)	3/31/84	Discretionary: American Capital Advisor, Inc.; The Boston Co.; Capital Supervisors, Inc.; Eaton & Howard; Vance Sanders, Inc.; Investment & Capital Mgmt., Corp.; Thorndike, Doran, Paine & Lewis; Nondiscretionary: Merrill Lynch
224.9 (private) 1,091.7 (gov't backed)	20.2	354.0		3/31/84	Internal Administration
246 (gov't backed)	99	1,876	21 (Resource funds)	12/31/83	Discretionary: 15 Equity Managers
3 (private) 197 (gov't backed)		209		3/31/84	Internal Administration: Discretionary

Name and address of fund	Contact person and phone	Total assets (\$ millions)	Common and preferred stock (\$ millions)	U.S. gov't securities and agencies (\$ millions)	Corporate bonds (\$ millions)
Missouri Local Gov't Employees Retirement System 1913 William St. Jefferson City, MO 65101	M. Steve Yoakum Asst. Executive Secretary 314/751-3666	260	59	98	41
Missouri State Employees' Retirement System P.O. Box 209 900 Leslie Blvd. Jefferson City, MO 65101	Gary Irwin Chief Accountant 314/751-2342	515.7 (bk.)	193.1 (bk.)	142.9 (bk.)	65.7 (bk.)
Non-Teacher School Employee Retirement System P.O. Box 268 Jefferson City, MO 65102	Dr. David Mustoe Executive Secretary 314/751-3414	134.1 (bk.)	14.5 (bk.)	13.7 (bk.)	81.2 (bk.)
The Public School Retirement System of Missouri P.O. Box 268 Jefferson City, MO 65102	David W. Mustoe Executive Secretary 314/751-3414	2,147.3	235.7	229.7	1,232.2
Nebraska School Retirement System Box 94696 Lincoln, NE 68509	Donald J. Mathes State Investment Officer 402/471-2043	258	45	80	77
New Hampshire Retirement System 169 Manchester St. Bldg. #3 Concord, NH 03301	Gerry Fleury Accountant IV 603/271-3351	498			5
Division of Investment State of New Jersey 349 West State Street Trenton, NJ 08540	Roland M. Machold Director 609/292-5106	9,032	2,986	1,724	2,471
New York State Common Retirement Fund A.E. Smith State Office Bldg. Albany, NY 12236	Suzanne Jaffe Deputy Comptroller 212/587-5026	19,745.1	5,830.5	5,454.3	3,133.0
New York State Teachers' Retirement System 143 Washington Ave. Albany, NY 12210	Edward J. Reno, Jr. Securities Investment Officer 518/477-2750	12,095.3	4,955.1 (mkt.)	2,562.7	2,549.8
North Carolina Retirement Systems 325 N. Salisbury St. Raleigh, NC 27611	C. Douglas Chappell Deputy Treasurer/ Director-Investment and Banking Div. 919/733-7273	7,496 (bk.)	1,563 (bk.)		5,801 (bk.)
North Dakota Public Employees Retirement System P.O. Box 1214 Bismarck, ND 58502	Dave Klemmer Deputy Dir. 701/224-2975	138.5	65.6	34.0	10.2
Ohio State Highway Patrol Retirement System 660 E. Main Street Columbus, OH 43205	Sgt. G.F. Steineman Secretary 614/466-4960	85.588 (Par)	9.867	16.186 (Par)	57.755 (Par)
Police and Firemen's Disability and Pension Fund of Ohio 230 E. Town St. Columbus, OH 43215	Richard F. Thompson Investment Manager 614/228-4076	1,432	300	301	343

Mortgages (\$ millions)	Other real estate (\$ millions)	Cash and short-term securities (\$ millions)	Other (\$ millions)	Reporting date	Investment advisors
48.4 (gov't backed)	none	9.5	4.1 (Foreign bonds)	3/30/84	Discretionary: Centerre Trust, Hoisington Investment Mgmt. Co., United Mo. Investment Counsel Service, Delaware Investment Advisors, INVESCO Capital Mgmt., Loomis, Sayles & Co.
2.2 (bk.-private) 8.6 (bk.-gov't backed)	6.8 (bk.)	96.4 (bk.)		3/30/84	Discretionary: AM CAL, Centerre Trust Co., Investors Research Corp., Waddell Reed Asset Mgmt. Co., Delaware Investment Advisors Inc., Alliance Capital Mgmt. Corp.
15.8 (bk.-gov't backed)		5.6 (bk.)		6/30/83	Discretionary: Boatmen's Nat'l Bank of St. Louis Trust Department
294.3 (gov't backed)	1.7	92.6	60.8 (Accrued income)	6/30/83	Boatman's National Bank
		56	4 (Equity Manager)	4/30/84	Internal Administration
10 (private)	8	79	396 (Equity & Fixed-Income Securities)	6/30/83	Discretionary: Irving Trust Co. Nondiscretionary Evaluation Associates
74 (private) 977 (gov't backed)	0	800		6/30/83	Internal Administration
3,005.6 (private) 922.3 (gov't backed)		1,335.0	64.4 (Venture Capital)	3/31/84	Nondiscretionary: Alliance Capital, The Bank of New York, Favia Hill & Associates, Lazard Freres & Co., Oppenheimer Capital, L.F. Rothschild Asset Mgmt., Shearson/American Express, J. & W. Seligman, U.S. Trust Co.
756.3 (private) 728.9 (gov't backed)	18.3	139.0	10.0 (Venture Capital) 138.9 (Member Loans) 236.3 (Other Assets)	3/31/84	Discretionary: Sanford, Bernstein & Lehman Mgmt., Nondiscretionary: Manufacturers Hanover Investment Corp.
		132 (bk.)		3/31/84	Internal Administration: Bonds-credit analysis only; Duff & Phelps Inc.; Alliance Capital Mgmt.; First Citizens Bank & Trust; First Union Nat'l Bank; Thorndike, Doran, Paine & Lewis; Wachovia Bank and Trust; North Carolina Nat'l Bank
		28.7		5/31/84	Wall, Patterson, McGrew & Hamilton; Sanford C. Bernstein Investment Advisors, Inc.; Wentworth Hauser & Violech; Robert C. Brown; Bank of N.D.
1.400 (Par, gov't backed)	0	.380		5/31/84	Discretionary: G.F. Steineman; Nondiscretionary: Duff & Phelps Investment Mgmt. Co.
136 (gov't backed)		293	57 (Canadian bonds) 2 (Venture Capital)	12/31/83	Value Line Asset Mgmt., Travelers Investment Mgmt., Duff & Phelps Investment Mgmt., Central Nat'l Bank of Cleveland

Name and address of fund	Contact person and phone	Total assets (\$ millions)	Common and preferred stock (\$ millions)	U.S. gov't securities and agencies (\$ millions)	Corporate bonds (\$ millions)
School Employees Retirement System of Ohio 45 North Fourth St. Columbus, OH 43215	R. Jack Cooper Assistant Director/ Investment Officer 614/221-7012	1,380.7 (par)	320.0 (bk.)	124.4 (Par)	335.7 (Par)
The State Teachers' Retirement System of Ohio 275 E. Broad St. Columbus, OH 43215	Stephen A. Mitchell Director of Investments 614/227-4003	7,861 (bk.)	2,240 (bk.)	1,715 (bk.)	560 (bk.)
Teachers' Retirement System of Oklahoma P.O. Box 53524 Oklahoma City, OK 73152	Jo Witt Investment Officer 405/521-2387	1,113 (bk.)	136 (bk.)	408 (bk.)	399 (bk.)
Pennsylvania Municipal Retirement System P.O. Box 1165 Harrisburg, PA 17108	Robert C. Rossman Secretary 717/787-2065	105	44	21	15
Pennsylvania State Employees' Retirement System 204 Labor & Industry Bldg. Harrisburg, PA 17120	David D. Burnett Investment Analyst 717/787-9008	4,206.5 (mkt.)	1,571.0 (mkt.)	687.3 (mkt.)	244.4 (mkt.)
Employees' Retirement System of Texas P.O. Box 13207 Austin, TX 78711	John B. Randolph Director of Investments 512/476-6431	2,545.5	523.7	1,006.7	841.9
Teacher Retirement System of Texas 1001 Trinity St. Austin, TX 78701	Clark Manning Investment Officer 512/397-6460	9,142	2,814	1,543	2,360
Utah State Retirement Systems 540 East 200 South SLC, Utah 84102	W. Dan Smith Investment Officer 801/355-3884	1,769	533	677	164
Vermont State Retirement System 133 State St. Montpelier, VT 05602	Edwin C. Gallison Deputy State Treasurer 802/828-2305	112.4 (bk.)	91.9	5.5	41.8
State Teachers' Retirement System of Vermont 133 State St. Montpelier, VT 05602	Edwin C. Gallison Deputy State Treasurer 802/828-2305	133.6 (bk.)	54.9		23.8
Wisconsin Investment Board 201 E. Washington Ave. Madison, WI 53705	Patricia Lipton Executive Assistant 603/266-9451	9,755.2	3,629.1	1,655.6 (private) 2,851.6 (public bonds)	
Wyoming Retirement System 3rd Floor-Barrett Bldg. Cheyenne, WY 82001	Jeff Gardner Deputy Director 307/777-7691	546.4	None	319.6	178.9

Mortgages (\$ millions)	Other real estate (\$ millions)	Cash and short-term securities (\$ millions)	Other (\$ millions)	Reporting date	Investment advisors
16.8 (par-private) 306.9 (par-gov't backed)	146.6 (par)	130.3		3/31/84	Internal Administration: Bankers Trust Co.
978 (bk.-gov't backed)	1,172 (bk.)	1,081 (bk.)	6 (Venture Capital) 26 (Miscellaneous bonds) 137 (Canadian bonds)	3/31/84	Internal Administration: Thorndike, Doran, Paine & Lewis
17 (bk.-private) 34 (bk.-gov't backed)		181		3/31/84	Discretionary: Liberty Nat'l Bank & Trust Co.; Tom Johnson Investment Mgmt., Inc., Okla. City; Bank of Oklahoma
	17	8		4/30/84	Fidelity Bank; Marine Bank; Minton/New- bold Capital Mgmt., Inc.; Pittsburg Nat'l Bank; Connecticut General Real Estate; Prudential Property Investment; Merrill Lynch Asset Mgmt., Inc.
270.3 (mkt.-private) 179.7 (mkt.-gov't backed)	170.8 (mkt.)	1,083.0		3/31/84	Discretionary: Mellon Bank, N.A.; Wells Fargo Investment Advisors; Fred Alger Mgmt., Inc.; Alliance Capital Mgmt. Corp.; Trustee & Investors Co., Inc.; Barrow, Han- ley, Mewhinney & Strauss, Inc.; Glick- haus & Co.; Trinity Investment Mgmt. Corp.; The Philadelphia Saving Fund Society; Miller Anderson & Sherrerd. Nondiscretion- ary: Karp Associates, Inc.; SEI Funds Eval- uation Services; Huggins & Co., Inc.; First Pennsylvania Bank
150.5 (gov't backed)	22.7			2/29/84	Internal Administration: INVESCO-Equities, Duff & Phelps - Fixed Income
440 (private) 1,382 (gov't backed)	254	445		3/31/84	Internal Administration: Thorndike, Doran, Paine & Lewis
64 (private) 24 (gov't backed)	121	186		4/30/84	Smoot, Knoche; Value Line; Wasatch Advi- sors; Capital Consultants; Atlanta/Sosnoff; F.I.A. Assocs.
7.0 (private) .7 (gov't backed)		13.2	12.8 (GIC)	6/30/83	Discretionary: Brundage Story & Rose; Loomis, Sayles & Co.; Delaware Investment Advisors; Rampart Investment Mgmt., Inc.
10 (private) 3.6 (gov't held)		10.7	30.6 (GIC)	6/30/83	Discretionary: Delaware Investment Advi- sors, Putnam Advisory, Rampart Invest- ment Mgmt.
175.5	10.9	1,399.7		3/31/84	Internal Administration
23.6 (gov't held)		24.3		2/2/84	Discretionary: Alliance Capital Mgmt., Corp.; Lehman Mgmt., Inc.; Wyoming Nat'l Bank

SEPTEMBER 1984

Pension World

The Magazine for Plan Sponsors and Investment Managers/ A Publication of Communication Channels, Inc.

Under construction:
Pension funds
build their real
estate holdings

Rep. John Erlenborn
on ERISA's Tenth
Anniversary

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Pension World

September 1984
Volume 20 Number 9

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Cover: This special issue of *Pension World* examines the current status of real estate investing by pension funds. In addition, we look at ERISA as it celebrates its tenth anniversary.

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Real estate investing by pension funds—1984

Corporate and public pension sponsors added approximately \$7.2 billion in real estate equities to their portfolios during the past 12 months. During the next three years, they are planning to add an additional \$18 billion to \$20 billion in real estate equity. In total, corporate and public plans currently own about \$29 billion in real estate equities, which represents nearly four percent of their total pension fund assets.

These are the major findings of the eighth annual Real Estate Investing by Pension Funds survey conducted by Money Market Directories, Inc., during May 1984. Real estate investing questionnaires were mailed to 1400 senior investment officers of corporate and public pension funds representing approximately \$780 billion in assets. This group comprises 78 percent of total pension assets. Two hundred and seventy-nine questionnaires were returned for a response rate of 20 percent. These 279 respondents have \$201 billion in pension assets or 26 percent of the total assets among the largest 1400 funds.

Summarized below are the most significant findings of the 1981, 1982, 1983 and 1984 survey results.

Anticipated Purchases During Next Three Years	1981	1982	1983	1984
Number of funds planning purchases	122	140	63	91
Percentage planning purchases	55%	54%	25%	33%
Total portfolio assets of purchasers	\$42 bil.	\$103 bil.	\$ 75 bil.	\$135 bil.
Total real estate to be purchased	3.2 bil.	6.5 bil.	3.3 bil.	4.8 bil.
Commingled real estate	1.6 bil.	1.9 bil.	1.1 bil.	1.3 bil.
Direct real estate ownership	1.6 bil.	4.6 bil.	2.2 bil.	3.5 bil.
Real estate future purchases as a percent of portfolio assets	7.6%	6.3%	4.4%	3.5%
Average real estate commitment per fund	\$26 mil.	\$ 46 mil.	\$ 52 mil.	\$ 62 mil.
Current Ownership	1981	1982	1983	1984
Number of respondents	205	258	248	279
Number of funds owning real estate	90	120	123	132
Percentage owning real estate	44%	47%	50%	47%
Total portfolio assets of real estate owners	\$40 bil.	\$ 68 bil.	\$101 bil.	\$140 bil.
Total real estate owned	2.3 bil.	4.4 bil.	5.4 bil.	7.2 bil.
Commingled real estate	1.6 bil.	2.7 bil.	2.7 bil.	4 bil.
Direct real estate ownership	.7 bil.	1.7 bil.	2.7 bil.	3.2 bil.
Real estate as a percent of portfolio assets	5.8%	6.5%	5.3%	5.1%
Average real estate investment per fund	\$25 mil.	\$ 37 mil.	\$ 44 mil.	\$ 55 mil.

The pace of real estate investing by pension funds increased during the past twelve months to an amount double that of a year ago — \$7.2 billion vs. \$4 billion.

In last year's survey we explained the lowered real estate investing intentions of pension funds while maintaining that it would be a short term down trend. We said:

While the anticipated pension fund commitment to real estate equity is significantly lower in this year's survey, it appears to be the result of pension officers attempting to maximize the current investment return by increasing their financial equity commitments at a time when they believe that financial equities will out perform real estate equities. It does not signal a fundamental change in the established trend of expanding ownership of equity real estate by pension funds.

The preceding charts represent a four-year history of the major trends of real estate investing by pension funds. During this time period, real estate investments have increased from \$2.3 billion to \$7.2 billion in our sample group and overall real estate ownership has grown from \$9 billion in 1981 to \$29 billion currently. The results of our last four surveys show that pension fund investments in real estate will continue to increase and that they have become an important component of pension fund portfolios.

For some years after real estate equity and mortgage products began to be marketed to pension funds, many pension investing officers felt the real estate industry did not really understand their investment requirements. In the view of many, the need for real estate products that conformed to pension fund investment and fidu-

Continued on page 26

The information contained in this survey has been researched, edited and copyrighted by Money Market Directories, Inc., publishers of the Money Market Directory of Pension Funds and Their Investment Managers, the encyclopedia of pension funds with assets over \$1 million and their investment advisors. Included in Money Market Directories' data base is real estate ownership by all major U.S. pension funds. For further information, contact David Bowerman, Vice President, 300 East Market St., Charlottesville, VA 22901, (800) 446-2810.

ciary requirements was not being met. In the last few years, survey respondents have had a much more positive attitude toward the appropriateness to pension investing of real estate products being offered.

This year's survey repeated the question, "Do you believe the real estate industry has been responsive to the investment requirements of pension sponsors in terms of the real estate products they offer to pension funds?" The answers were:

Yes	70%
No	11%
Did not answer	19%

Typical comments accompanying "yes" responses included: "A variety of options are available to pension funds to use to help diversify assets," "There are very imaginative products in the real estate market," and "Real estate firms have tried to offer vehicles requested by sponsors in response to changes in capital markets." Some who felt the real estate industry has not been responsive gave as their reasons, "The liquidity problem has not been adequately addressed" and "Difficult to make performance comparison."

The survey questionnaire also asked, "Do you believe that the real estate industry has been responsive to the investment requirements of pension sponsors in terms of the real estate financing and mortgage products they offer to pension funds?" This question was answered:

Yes	55%
No	10%
Did not answer	35%

Over half the respondents regarded the real estate industry as having been responsive and offered such comments as, "Products offered satisfy our needs" and "Participating mortgages have been developed as a hybrid to offer attractive features of several investment types." Negative remarks referred to lack of liquidity; one said there is not enough diversity in mortgage and financing products.

General Investing Trends

Do you regard real estate equity investments as being capable of contributing consistently to your fund's performance?

	1980	1981	1982	1983	1984
Yes	77%	83%	79%	73%	74%
No	18	10	17	19	20
Did not answer	5	7	4	8	6

The question was asked, "What do you regard as the minimum acceptable average annual net cash yield (rental income less all expenses including debt service) from real estate equity investments?"

The answers, from 181 responses, averaged 9.8 percent. This corresponds to last year's preponderance of answers in the 8 to 10 percent range.

To the question, "What would be your minimum expectation for annual appreciation from real estate equity investments?" there were 144 responses with the answers averaging 7 percent. This was in line with last year's responses, when most respondents' replies to the question were in the 6 to 8 percent range.

The total assets of all pension funds are expected to increase from just over \$850 billion today, to over \$5 trillion by 1995. What do you estimate the allocation of your pension fund assets will be in the year 1995?

	1982 Survey		1983 Survey		1984 Survey	
	\$ in Billions	Percent	\$ in Billions	Percent	\$ in Billions	Percent
Cash	450	9	350	7	350	7
Equities	2,250	45	2,500	50	2,450	49
Fixed Income	1,100	22	1,300	26	1,350	27
Mortgages	200	4	100	2	100	2
Real Estate Equity	300	6	250	5	200	4
Real Estate Commingled Funds	300	6	250	5	200	4
International Investments	250	5	150	3	150	3
Venture Capital	100	2	100	2	100	2
Others	50	1	50	1	100	2
	\$5,000	100	\$5,000	100	\$5,000	100

Does your fund intend to purchase new real estate investments during the next three years?

	1982		1983		1984	
	Number	Percent	Number	Percent	Number	Percent
Yes — Direct Ownership	50	19	17	7	26	9
Yes — Commingled	110	43	52	21	70	25
No — Direct Ownership	208	81	231	93	253	91
No — Commingled	148	57	196	79	209	75

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Direct Real Estate Equity Investing

Respondents to the 1984 survey project their planned direct real estate equity investment at \$3½ billion over the next three years, up 60 percent over the corresponding amount from last year's survey. Once again, the greater part of the planned investment will be made by public funds. They will account for 93 percent (as compared to last year's 79 percent) of intended investments over the next three years in direct real estate equities. It is interesting to note, too, that the greater concentration on direct real estate participation (62 percent direct vs. 38 percent in commingled investments) continues a trend that was first identified in our 1982 survey.

The following charts detail the current and planned direct real estate equity investments.

Has your fund participated in direct real estate investment utilizing the management expertise of an outside real estate counselor?

	1982	1983	1984
Yes	8%	8%	6%
No	84	91	94
Did not answer	8	1	—

If yes, with what type of an organization?

	1982	1983	1984
Insurance Company	14%	40%	6%
Bank	24	45	33
Investment Banker	10	5	5
Developer	14	20	13
Registered Real Estate Management Firm	48	30	47
Broker or Realtor	—	10	6
Real Estate Consultant	—	25	53
Other	10	5	—

Has your fund participated in real estate development?

	1983	1984
Yes	3%	3%
No	97%	97%

If yes, did your fund develop the property alone or with other organizations?

	1983 ¹	1984 ²
Alone	62%	45%
With Others	38%	55%

¹Based on 8 responses

²Based on 9 responses

If with others, please indicate the type of organization.

	1983 ³	1984 ⁴
Insurance Company	67%	—
Developer	33%	60%
Registered Real Estate Management Firm	33%	—
Bank	33%	—
Investment Banker	—	—
Broker or Realtor	—	20%
Real Estate Consultant	—	20%
Pension Fund	67%	—

³Based on 3 responses

⁴Based on 5 responses

What do you regard as an acceptable management fee for your fund's participation in direct real estate investment utilizing an outside real estate investment counsel?

	1982 ⁵	1983 ⁶	1984 ⁷
½ of 1% annually of real estate under management	44%	N/A	N/A
¾ of 1% annually of real estate under management	39	20%	24%
1% annually of real estate under management	11	25	41
1¼ annually of real estate under management	6	—	—
1½% annually of real estate under management	—	5	—
2% annually of real estate under management	—	—	—
Fee based on annual income, not property value	N/A	15	35
Other	N/A	20	—
Did not answer	—	15	—

⁵Based on 18 responses

⁶Based on 20 responses

⁷Based on 17 responses

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The direct ownership of real estate equities is distributed among property types as follows:

Type	Current Ownership ^a		Planned — Next 3 Years ^a		Percent
	Amount (in mil.)	Percent	Amt. Purchased (in mil.)	Amt. Developed (in mil.)	
Office Buildings	\$1,774	55	\$1,088	\$ —	31
Hotels	168	5	106	2	3
Apartments	61	2	363	2	10
Industrial	237	7	407	3	12
Small Shopping Centers	29	1	8	—	—
Medium Shopping Centers	253	8	162	1	5
Large Shopping Centers	172	5	878	1	25
Warehouses	82	3	67	—	2
Agriculture Land	—	—	—	—	—
Raw Land	12	—	—	—	—
Other	361	11	151	—	4
Not Specified	51	2	260	—	7
Current Total:	\$3,200		\$3,490	\$ 10	
Total Additional:				\$3,500	

^aResponse Group composed of 16 corporation funds owning \$547 million in real estate; 15 government funds owning \$2,653 million in real estate.

^aResponse Group composed of 6 corporation funds planning new real estate purchases of \$237 million; 16 government funds planning new real estate purchases of \$3,239 million; 3 funds plan to purchase real estate but failed to disclose the amount or the types. \$261 million of the total \$3,500 million was not specified as to type.

Of the twenty-five funds intending new direct real estate purchases, nine plan to develop property. Four will act alone, five will develop property with others. Of the five who plan to develop property with others, two said they will do so with insurance companies, one with a bank, four with developers, one with a broker or realtor, two with real estate consultants and three with pension funds. Obviously, certain respondents will work with more than one type of organization.

Commingled Real Estate Equity Funds

Compared to direct equity real estate investing, commingled real estate equity funds will continue to play a lesser role in the real estate equity investing intentions of pension funds. Commingled funds represent a little over one-third of the amount planned for real estate investment.

SEC registered real estate advisors will manage nearly half of the new capital directed to commingled funds, with 78 percent of that in closed-end funds. Of the total promised commingled capital which survey respondents specified by open-end vs. closed-end, 65 percent will go to closed-end funds. This continues a trend observed in prior years of a preference for closed-end over open-end, although the results from the 1984 survey were not quite as strongly "pro closed-end" as the responses of the previous year. These trends are all documented in the following charts.

Commingled ownership of real estate is distributed among different type fund sponsors and between open and closed-end funds as follows:

Sponsor	Current Ownership ^a (amount in millions)		Closed-End	Percent	Total
	Open-End	Percent			
Bank Commingled	\$ 295	7%	\$ 58	1%	\$ 353
Insurance Commingled	2,425	60	69	2	2,494
SEC Registered Real Estate Advisor Commingled or Limited Partnership	190	5	998	25	1,188
Totals	\$2,910	72	\$1,125	28	\$4,035

^aResponse Group composed of: 90 corporation funds owning \$3,318 million in commingled; 19 government funds owning \$666 million commingled.

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Sponsor	Planned — Next 3 Years ¹¹ (amount in millions)				
	Open-End	Percent	Closed-End	Percent	Total
Bank Commingled	\$ 130	6%	\$ 14	1%	\$ 144
Insurance Commingled	127	6	64	3	\$ 191
SEC Registered Real Estate Advisor Commingled or Limited Partnership	218	10	795	38	1,013
Totals	\$ 475	22	\$ 873	42	\$1,348
Not Specified				36	765
Total for response group				78	\$2,113

¹¹Response Group composed of: 54 corporation funds planning new commingled purchases of \$655 million; 16 government funds planning new commingled purchases of \$1.5 billion. One fund did not specify the amount of its planned investment; six funds did not specify the type of their planned investment.

What do you regard as an acceptable management fee for your fund's participation in institutionally sponsored pool-type real estate vehicles?

	1982 ¹²	1983 ¹³	1984 ¹⁴
½ of 1% annually of real estate under management	19%	8%	14%
¾ of 1% annually of real estate under management	22	20	10
1% annually of real estate under management	45	54	51
1¼% annually of real estate under management	13	14	21
1½% annually of real estate under management	1	—	4
Did not answer	—	4	—

¹²Based on 90 responses

¹³Based on 106 responses

¹⁴Based on 108 responses

Mortgages and Real Estate Financing

Planned investments in mortgage and real estate financing are up again this year as compared to the 1983 survey. (1983 showed an increase over 1982.) It is estimated around \$5½ billion will be directed into real estate mortgages and financing during the next year.

Please note that the time frame of the question changed from three years to one year. A one-year time frame is more meaningful for determining investing intentions that involve an interest-rate-sensitive investment.

How do you classify the following investments?

	1984			
	Real Estate	Fixed Income	Other	Did not answer
Mortgages	19%	51%	1%	29%
Equity Participation				
Mortgages	48%	14%	5%	33%
Income Participation				
Mortgages	34%	26%	4%	36%
Mortgage Securities	6%	64%	0%	30%
Construction Loans	22%	33%	4%	41%
Sale/Lease Backs	34%	18%	5%	43%

Has your organization participated in real estate financing?

Yes	22%
No	69%
Did not answer	9%

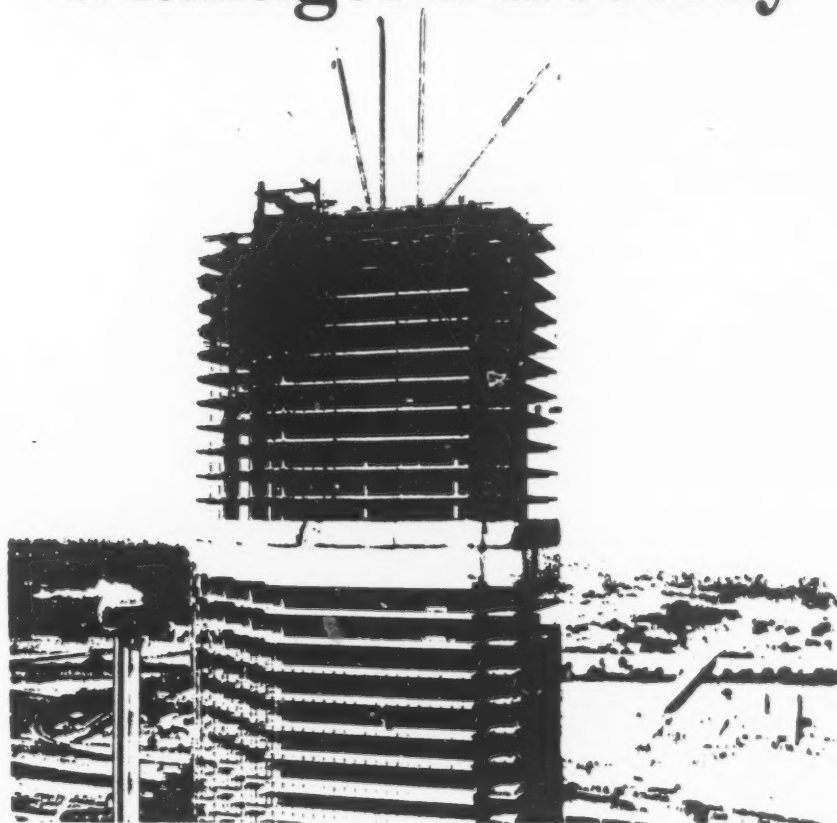
Has your investment committee decided to participate in real estate financing during the next 12 months?

Yes	12%
No	83%
Did not answer	5%

Mortgages and Financing

Current			Planned	
1983	1984		1983	1984
\$ 5,142 mil.	\$ 7,463	Conventional Mortgages	\$ 334 mil.	\$ 573 mil.
553 mil.	1,663 mil.	Participation Mortgages	225 mil.	512 mil.
5,317 mil.	8,378 mil.	Mortgage Securities	397 mil.	281 mil.
215 mil.	135 mil.	Construction Loans	25 mil.	—0—
98 mil.	54 mil.	Sale/Lease Backs on Corporate-Owned Property	14 mil.	42 mil.
70 mil.	—0—	Sale/Lease Backs on Non-Corporate-Owned Property	15 mil.	5 mil.
\$11,395 mil.	\$17,693 mil.		\$1,010 mil.	\$1,413 mil.

7th Annual Real Estate Portfolio Manager Directory



The following *Pension World* Real Estate Portfolio Manager Directory lists firms that provide real estate portfolio management services for pension funds. Although it is not exhaustive, it identifies the firms responding in full to *Pension World's* questionnaire. Only those firms indicating they currently manage real estate portfolios for pension funds are included.

This year's questionnaire was mailed to 638 firms throughout the U.S. and Canada that provide some form of real estate services. The response rate was 14 percent, with 93 of those firms—including 65 from last year's directory—meeting the criteria.

The firms, complete with address and contact person, are listed in alphabetical order. Each entry includes the respondent's total assets under real estate portfolio management, number of pension fund real estate clients and total pension fund real estate assets under portfolio management. The respondents were asked to give a breakdown of assets into real estate holdings, type of participation offered and its geographical diversification.

The survey also includes each respondent's minimum investment requirement, return on investment and fee requirements.

Name and address	Person to contact, phone	Total assets under real estate portfolio management (millions)	Number of pension fund real estate clients	Total pension fund real estate assets under portfolio management (millions)
ABACUS REALTY ADVISORS 1 Post Office Sq. Boston, MA 02109	Evan Weston Vice President 617/542-5920	\$75	6	\$75
AETNA CANADA 145 King St. W. Toronto, Ont. M5H 3T6	James Colbert Manager, Pension Invst. 416/864-8272	\$200	10	\$80
ACQUEST CAPITAL MANAGEMENT CO. 300 E. Long Lake Rd. Ste. 280 Bloomfield Hills, MI 48013	David G. Ong President 313/645-5130	Approx. \$40	4	Approx. \$30
ALDRICH, EASTMAN & WALTCH, INC. One Post Office Square Boston, MA 02109	Joseph F. Azrack Principal 617/542-9300	\$900	22	\$825
AM CAL COMPANY 4737 Lankershim Blvd. North Hollywood, CA 91602	S.O. DellaGrotta Vice President 213/877-0212	\$260	7	\$260
AMERICAN AGRICULTURAL INVESTMENT MANAGEMENT CO., INC. 2603 W. 22nd St. Ste. 17 Oak Brook, IL 60521	H. Joseph Bourn Executive Vice President 312/654-6616	\$20	2	\$11
ANGELES INTERNATIONAL ADVISORS, INC. (An Angeles Company) 10301 W. Pico Blvd. Los Angeles, CA 90064	Mark W. Gibello President 213/277-4900	\$750	Approx. 2,500	(Approx.) \$35
BANK of AMERICA P.O. Box 37026 San Francisco, CA 94137	Jack S. Cooper Vice President and Manager 415/622-1712	\$425	200	\$152
BANK of BOSTON 100 Federal Street Boston, MA 02110	Peter F. Tague, III First Vice President 617/434-4560	Approx. \$250	Approx. 200	Approx. \$250
THE BANKERS LIFE 711 High Street Des Moines, IA 50307	Dan J. Fitzgerald Director-Pension Operations 515/247-6791	\$4,972 (general and separate accounts)	118 (real estate separate account)	\$3,200 in general account; \$16 in real estate separate account
BLOCK & CO. INC. 605 West 47th Street Kansas City, MO 64112	David M. Block Vice President Development & Investment 816/531-1400	N/A	N/A	N/A

Breakdown of assets into real estate holdings	Participation offered	Geographical diversification	Minimum investment	Return on investment (net of fee)	Fee
Mortgages — \$60 million Land — \$15 million	Separate Account	National	\$5 million	Not reported	Not reported
Income-producing properties	Aetna maintains 25% interest; 75% is syndicated to pension funds	Major Canadian cities	Variable	Not reported	Asset management fee plus percentage of net operating income.
Income-producing equity real estate; participating or convertible mortgages.	Direct, joint-venture, commingled fund investments	National with Midwest emphasis	\$1,000,000 for direct investment	Not available	Negotiated
Income-producing property — 100%	Individual direct investment accounts; commingled fractional interests in real property; participation in common trust shares in the State Street Bank.	National	\$5 million for State Street Bank & Trust Company's commingled real estate funds; \$20 million per year for separate accounts.	Not reported	A single capitalized transaction fee dependent on deal structure and an annual portfolio management fee of .5 to 1%.
Income-producing properties — \$85 million; Mortgages — \$175 million	Equity, income, convertible mortgages	National	\$500,000	12.5 — 15%	Negotiated
Income-producing property — \$20 million	Commingled closed end trust, direct placement.	Midwest, Southwest, Southeast	\$500,000	Not reported	Dependent upon type of investment program.
Income-producing property	Limited partnership, group trust, separate account	National	Limited partnership — \$5,000 (IRA \$2,000) group trust — \$500,000	Varies by fund	Varies by fund
Income-producing property — 95% mortgages — 5%	Commingled fund, partnerships, separate accounts	National with emphasis on Sunbelt and West	Commingled fund — \$50,000; Separate accounts — \$3,000,000	Varies by type of participation	Fee 1% of net assets for commingled fund; other fees vary by participation.
Income-producing commercial and industrial equity properties	Units of pooled fund	National	None	13.5% (5-year)	1% of assets under management.
Income-producing properties — \$16 million; mortgages — \$3,200	Units in open-end pooled separate account for real estate ownership	National	None	11.3% year ending 3/31/84	.96% annual investment management fee on real estate separate account; contract charge based on customer's total assets with firm.
N/A	Ventures — mortgages; participation — partial ownership	National	\$1,000,000 to \$20,000,000	99%-16%	Negotiated

Name and address	Person to contact, phone	Total assets under real estate portfolio management (millions)	Number of pension fund real estate clients	Total pension fund real estate assets under portfolio management (millions)
THE BOSTON COMPANY REAL ESTATE COUNSEL, INC. One Boston Place Boston, MA 02106	Robert A. Radloff President 617/722-7190	\$940	8	\$780 (6/30/84)
THE CANADA LIFE ASSURANCE COMPANY 330 University Avenue Toronto Ontario M5G 1R8	Taylor Echlin Superintendent of Group Pension Investment Services 416/597-1456	\$400	76	\$125
CAPITAL CONSULTANTS, INC. 2300 S.W. First Avenue Portland, OR 97201	David L. Nelsen Vice President 503/241-1200	145	27	\$134
CHEMICAL BANK - REAL ESTATE ADVISORY 277 Park Ave - 4th Floor New York, NY 10172	Anne G. Shean Vice President 212/310-6165	\$60	10	\$60
CITIBANK, N.A. 153 East 53rd Street New York, NY 10043	John Kemble Vice President 212/559-1709	\$3,500	70	\$2,000 (gross); \$1,300 (net)
CONNECTICUT GENERAL LIFE INSURANCE COMPANY P.O. Box 2975 Hartford, CT 06104	Stephen H. Matheson Senior Vice President 203/725-2789	\$8,000	314 (4/1/84)	\$316 (4/1/84)
CONSOLIDATED CAPITAL 1900 Powell St. Suite 1000 Emeryville, CA 94608	Tim Marinac Nat'l Mktg. Dir. 800/227-1870	\$2,500	Approx. 2,500	\$50
COPLEY REAL ESTATE ADVISORS 535 Boylston Street Boston, MA 02116	John C. Phillips, Jr. Vice President 617/578-4900	\$3,000	60 +	\$1,200
CORPORATE PROPERTY INVESTORS 305 East 47th Street New York, NY 10017	Warren Hamer Client Contact 212/421-8200	\$2,200	30	\$2,000
CROCKER REAL ESTATE INVESTMENT GROUP 44 Montgomery Street Suite 2110 San Francisco, CA 94104	N. Anthony Dann Vice President 415/477-8555	\$200 (6/30/84)	237 + (6/30/84)	\$169 (6/30/84)
DIVERSIFIED HOLDINGS CORPORATION 475 Park Avenue South New York, NY 10048	Peter B. Daenzer Co-Chairman 212/684-7979	\$300 +	25	\$20

Breakdown of assets into real estate holdings	Participation offered	Geographical diversification	Minimum investment	Return on investment (net of fee)	Fee
100% equity-oriented debt	Private portfolios	48% East; 16% South; 29% West; 7% Midwest	\$10 million	not available	Transaction fee plus annual management fee
Income-producing property — 100%	Units in the pooled fund may be purchased or sold monthly.	Canada	\$10,000	+ 16.4% (1982); + 10.1% (1983)	First \$1 million 0.75%; next \$1 million 0.36%; next \$3 million 0.24%; excess 0.12%.
Real estate equities — \$34 million; mortgages — \$100 million	Varies, depending on client's objectives	Pacific Northwest	Pooled fund minimum — \$50,000; mortgages — \$500,000; Direct — \$1 million	Real estate equities — 9-10% net; mortgages — currently 13% +	Mortgages — 0.25%-1% depending on portfolio size; Real Estate equities — 1%-1.25%.
Income-producing property — 100%	Units in commingled fund	Midwest — 23%; East — 20%; South — 57%	\$400,000	14.52% (1-year, 1983)	1.3% on net real estate assets; 0.2% on uncommitted cash reserves.
Income-producing property — 1.18 billion; land — 13 billion; mortgages — \$100 million	Units in open-end fund, separate account, unit in closed end fund.	Southeast	\$2 million	11-15% annually	1-1.5%.
Income-producing property — 100%	Open-end; pooled account (SA-R); closed-end real estate fund	National, in smaller cities and outlying major metro areas	SA-R \$100,000 for initial and ongoing deposits; closed-end real estate fund 1 — \$5 million	SA-R — 14.89% gross of management fees (1983); 3.56% gross of management fees, unannualized (1st qtr. 1984)	SA-R — 1.00% annual management fee on net assets, deducted quarterly; graded contract expense charge.
Mortgages — 50% Income-producing properties — 50%	Units and commingled funds in participating mortgage or real property vehicles	National	\$5,000 in program specifically for pension funds	Not available	In limited partnership for pension plans — incentive of 25% of appreciation, acquisition 6%
Income-producing property — 100%	Income-producing property; sales and refinancing proceeds.	National	\$100,000 — Commingled funds for pension funds; \$2,000 — Individual public offerings	Not reported	1.25% on net real estate assets; 0.25% on short-term investments.
Income-producing property — 100%	Shares	National	\$5 million	18.5% annually for 9 years)	Self-managed — no fees.
Income-producing property	Units in open- and closed-end funds, separate account direct investment, limited partnership interests.	National with emphasis on West and Southwest.	Varies by account	Varies by investment type and objective.	Varies. Available upon request.
Income-producing property	Equity, debt or combination	Continental U.S.	\$100,000	Not available	Negotiable.

Name and address	Person to contact, phone	Total assets under real estate portfolio management (millions)	Number of pension fund real estate clients	Total pension fund real estate assets under portfolio management (millions)
EASTDIL REALTY, INC. 410 West 57th Street New York, NY 10019	Donald E. Conover Vice President 212/397-2763	\$700	10	\$700
RICHARD ELLIS, INC. 350 Park Avenue New York, NY 10022	Graham J. Bond Senior Vice President 212/355-4810	\$631.4	6 (51 pension fund participants in commingled fund)	\$605.1
THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES 1285 Avenue of the Americas New York, NY 10019	Joyce R. Frater Assistant Vice President 212/554-4213	\$18,546.7 (12/31/83)	273 (open-end account); 6 (closed-end account); 4 (individual account)	\$2,446.6 (commingled open-end fund); \$45.5 (commingled closed-end fund); \$234.2 (separately managed accounts) (12/31/83)
EQUITEC INSTITUTIONAL REALTY ADVISORS, INC. 7677 Oakport Street Oakland, CA 94614	Don Jackson Vice President 415/430-9900	\$750	3	\$25
F.I.A. ASSOCIATES, INC. 2045 Hallmark Drive Suite 4 Sacramento, CA 95608	H. James Griggs President 916/920-4051	\$675	8	\$675
FIRST ASSET REALTY ADVISORS First Bank Place Minneapolis, MN 55480	Charles S. Ingwalson President 612/370-4729	\$38	5	\$31
FIRST CHICAGO INVESTMENT ADVISORS Three First National Plaza Chicago, IL 60670	J. William Baker Vice President, Real Estate Product Manager 312/732-7641	\$734	117	\$572
THE FIRST NATIONAL BANK OF ATLANTA TRUST DEPARTMENT P.O. Box 4148 Atlanta, GA 30302	Theodore P. Brackman Vice President 404/588-6817	\$145	15	\$45
THE FIRST NATIONAL BANK OF FORT WORTH Two Burnett Plaza - 18th Floor 801 Cherry Street Fort Worth, TX 76102	Gerald Hartman, Jr. Vice President & Trust Officer 817/390-6996	\$157	90	\$45
FIRST WISCONSIN TRUST CO. P.O. Box 2054 Milwaukee, WI 53201	Earl D. Lillydahl Vice President 414/765-4844	\$5	30	\$5

Breakdown of assets into real estate holdings	Participation offered	Geographical diversification	Minimum investment	Return on investment (net of fee)	Fee
Income-producing property (offices, 80%; warehouses, 10%; shopping centers, 10%); convertible mortgages.	Closed-end fund; separate accounts for individual clients.	Southwest — 39%; Southeast — 22%; West — 21%; Central — 18%	Closed-end fund, \$5 million; individual, \$50 million	Not reported	Eastdil Advisers: Varies Eastdil Corporate Partners: 1.25% per year of gross assets; incentive fee at property sale.
Income-producing property — \$511 million; forward commitment to acquire property under construction — \$94 million.	Direct, separate account	National	\$10 million	Not reported	Not reported.
Mortgages — 68%; equity — 32%	Commingled real estate funds; open-end account; closed-end account	South — 33.9%; Central — 17.3%; West — 20.7%; Mid-Atlantic — 9%; Northeast — 19.1%	Commingled funds — \$1 million; separate management — \$1 million within 3 years	Varies	Varies.
Income-producing property — 100%	Limited partnership	West, Southwest, Midwest	\$1 million	19%-40%	½ of 1% Investment Evaluation 1½% annual Asset Management Fee %5 Subordinated Incentive Fee.
Equity — \$489; participation and convertible loans — \$186	Advisory account; separate account; direct brokerage; closed-end fund	National	\$5 million for advisory or separate account; \$1 million for closed-end fund	Varies depending on program	Negotiable depending on services required by pension fund.
Income-producing properties — \$100%	Pooled funds; separate accounts	National	\$500,000 (FAREEF) \$25,000 (CREEF — separate accounts negotiable)	20.2% last 12 mos. as of 3/31/84 (FAREEF)	1.25 of net asset value on FAREEF; separate accounts negotiable.
Income-producing property — 100%	Equity oriented funds only	East — 11%; Midwest — 27%; West — 33%; South — 29%	\$1 million	Varies by account	1.2% of asset value on commingled funds; negotiable on direct ownership accounts.
Timberland; income-producing property; mortgages	Timberland is open-ended, commingled fund; other investments vary	Southeast	\$250,000 (In Timberland Fund)	27% since inception; 9% average annual return.	Timberland Fund — 1.2% per year on market value of timberland; 0.25% per year on cash reserve. Fees on other individual investments vary.
Mortgages — 25%; real estate holdings — 75%	Individual ownership, pooled funds, joint ventures	National with emphasis in Texas	Criteria varies by participation	Varies by type of investment	Varies by participation — fee schedule furnished upon request.
Income-producing property — 100%	Open-end fund	Midwest	\$25,000	9 + % cash on cash	1.5% real estate equity; — 0.25% short term funds.

Name and address	Person to contact, phone	Total assets under real estate portfolio management (millions)	Number of pension fund real estate clients	Total pension fund real estate assets under portfolio management (millions)
GOLDMAN, SACHS & COMPANY 85 Broad Street New York, NY 10004	Meyer Melnikoff Actuary 212/902-5649	\$610	10	\$340
GREAT-WEST LIFE ASSURANCE COMPANY 100 Osborne St. North Winnipeg, Manitoba R3C 3A5 Canada	J.M. Ringstrom Vice President Real Estate 204/946-7455	\$300	80	\$1,000
GROUP ONE INVESTMENTS 77 West Washington Street Suite 1005 Chicago, IL 60602	Robert H. Weitzman Finance/Investment Partner 312/346-3434	\$100 +	75	\$25 +
JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY P.O. Box 111, John Hancock Place Boston, MA 02117	James J. Sullivan, Jr. Field Vice President 617/421-5155	\$8,200	82	\$837.5 (separate accounts only)
HARRIS TRUST AND SAVINGS BANK 111 West Monroe Chicago, IL 60690	John K. Rutledge V.P. - Mgr. Trust Real Estate Investments 312/461-6346	\$11	105	\$11
HEITMAN ADVISORY CORPORATION 180 N. LaSalle Street Chicago, IL 60601	David Glickman Executive Vice President 312/855-5700	\$1,700	13	\$1,400
ICC REALTY ADVISERS INC. 56 East Pine Street, Suite 200 Orlando, FL 32801	Byron W. Giltz Executive Vice President 305/841-6241	\$17	25	\$28
INTERFIRST BANK DALLAS, N.A. Box 83794 Dallas, TX 75283	Nathan O. Finke Senior Vice President 214/573-4650	\$600	76	\$325
INVESTORS SECURITIES Box 2426 Winter Park, FL 32790	Alan W. Wilson Vice President 305/647-7886	\$45	Approx. 15	\$1
JMB INSTITUTIONAL REALTY CORPORATION 875 N. Michigan, Suite 3960 Chicago, IL 60611	John S. Lillard President 312/440-5042	\$6,277	64	\$726
JONES LANG WOOTTON REALTY ADVISORS 499 Park Avenue New York, NY 10022	John A. Weisz President 212/688-8181	\$800	6	\$400

Breakdown of assets into real estate holdings	Participation offered	Geographical diversification	Minimum investment	Return on investment (net of fee)	Fee
Existing income-producing, commercial property	Commingled and separate accounts investing through direct ownership, partnerships participating and convertible debt	National	\$1 million	Varies — approx. 7.9%	1.25% of net assets at market value; decrmental fee structure is used for investments over \$100 million.
Income producing — \$300 million; mortgage — \$350 million	Open and closed	U.S. and Canada	\$100,000	Varies	Varies.
Income-producing property	Limited partnership interests, joint ventures, fee ownership	National	Flexible	Varies by type of investment	Negotiable.
Equity real estate — 76%; mortgages — 11%	Open to qualified 401(a) and 414(d)	National	\$250,000 — open-end; \$1 million closed-end.	15.5% — Equity Real Estate Account (12 months ending 3/31/84 — gross)	Varies by account.
Real estate equities — 71%; participating mortgages — 29%	Units in collective fund	Midwest	\$100,000	9% plus appreciation (fund established 1983)	0.75% of net real estate asset value plus graduated administrative fee.
Equity or equity-oriented interests — 100%	Separate account; closed-end fund	National	\$2 million	Variable	Based on cash invested.
Mortgages	Varies	East	\$1 million	Available upon request	Available upon request.
60% office buildings; 10% mortgages; 10% warehouses 20% retail facilities	Open-end fund; closed-end funds; separate account acquisition and management	Southwest	\$25,000	15.4 (pooled fund, 1983)	1% of market value per annum.
Income-producing property	Equity or debt (convertible debenture)	Florida	\$48,000 (Debenture)	10% interest + 10% conversion = 20%	No load for new investors. No general partner's free position; ½% annual mgt. fee.
Income-producing property — 100%	Equity participation	East — 22.5%; South — 21% Midwest — 22.5%; West — 33% (JMB Group Trusts I and II)	\$500,000	Group Trust I — 20.12% (1983) Group Trust II — 19.73% (1983)	A unitary fee will be charged for property acquisition, asset management, sale and other services equal to (I) 1.25% annually on all real estate assets at fair market value and (II) 3.75% of gross revenues derived from any single property (which may be reallocated to a joint venture manager).
Income-producing property	Separate accounts	National	\$100 million over two to three years	Not reported	Varies with each account according to services provided.

Name and address	Person to contact, phone	Total assets under real estate portfolio management (millions)	Number of pension fund real estate clients	Total pension fund real estate assets under portfolio management (millions)
KARSTEN INSTITUTIONAL REALTY ADVISORS 10960 Wilshire Blvd. Los Angeles, CA 90024	John Lundsten President 213/477-9561	\$330	10	\$310 + \$1.2 billion as advisor to one pension fund client.
LANDAUER ADVISORS, INC. 335 Madison Avenue New York, NY 10017	David Hodes Vice President 212/687-2323	\$660	8	\$610
THE LANDSING CORPORATION 300 El Camino Real Menlo Park, CA 94025	Ronald D. Roberts Vice President 415/321-7100	\$600	7,000	\$300
LANDVEST INC. 14 Kilby Street Boston, MA 02109	John Coburn Jr. Vice President 617/723-1800	\$30	3	\$8
LASALLE ADVISORS INCORPORATED 11 South LaSalle Street Chicago, IL 60614	Stanislaw Maliszewski Vice President 312/782-5800	\$1,670	31	\$950
LEHNDORFF & BABSON REAL ESTATE COUNSEL, INC. One Boston Place Boston, MA 02108	Robert M. Angland Executive Vice President 617/723-7540	\$1,500	13	\$257
LOEB PARTNERS REALTY 521 Fifth Ave New York, NY 10175	Gary L. Naughton Vice President 212/883-0371	\$650 under direct or supervisory management	2	50 under supervisory management
MAIER & SIEBEL, INC. 80 E. Sir Francis Drake Blvd. Larkspur, CA 94939	Peter K. Maier President	\$125	N/A	N/A
MARCIL TRUST COMPANY 55 Avenue Road Suite 2900 Toronto, Ontario M5R 2L2 Canada	John Donald Chairman 416/922-1830	\$1,100	21	\$690
MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY 1295 State Street Springfield, MA 01111	Peter J. Vogian, CLU Vice President 413/788-8411	\$3,000 (including General Account and REIT portfolios)	40	\$43.3
JOHN MCMAHAN ASSOCIATES 201 California Street San Francisco, CA 94111	J. Raymond Walker Vice President 415/433-7770	\$260	6	\$47

Breakdown of assets into real estate holdings	Participation offered	Geographical diversification	Minimum investment	Return on investment (net of fee)	Fee
Income-producing property; equity or equity-hybrid interests.	Direct investment or commingled funds	National with emphasis on South and West	\$1 million in commingled funds; \$25 million in separate account	16.1% — consolidated separate accounts (1983)	Varies.
Income-producing property, including office buildings, retail centers, and light industrial properties in planned master parks	Ownership through direct investment or participation in closed-end trusts	National	Closed-end trust — \$5 million; individual accounts — \$50 million during first 2 years	Varies; for individual accounts — 10 yr. average annual return of 21%	Closed-end trusts — 1.25% of contributed assets 1-5 years, 1% of net asset value 6-10 years; individual accounts — fees vary depending on size of commitment, services rendered, etc.
Income-producing property including garden apartment communities, shopping centers, office and industrial	Units in closed-end equity trusts, participating debt, and fee ownership (joint ventures)	West and Southwest	\$5,000	Approx. 15-20%	Negotiated
Undeveloped land — 100%	Direct ownership	Primarily Northeast	\$500,000	5-7% above inflation	Between \$1-\$2.00 per acre per annum.
Income-producing property 100%	Units in closed-end funds	National	\$5 million	Not available	Not available.
Income-producing property — 100%	Units of commingled trust; direct separate accounts	National	\$1 million	21.6% on completed transactions (1971-1983)	1.25% of commingled real estate fund assets; direct investment management fees negotiable
Income-producing property — 100%	Individual investment accounts	National	\$2 million	Varies	A percentage of real estate assets based on asset size and type of investment
Income-producing property — 100%	Direct ownership	West	\$1-3 million	12.4%	2% acquisition fee; 0.5% management fee; 1% sales fee
Mortgages — 80%; real estate — 15% joint ventures — 5%;	Not reported	Canada	\$1 million	Market related	Deal related.
Income-producing property — 100%	Open-end commingled	East — 20%; South — 37%; Midwest — 16%; West — 27%	\$100,000	8.3% (1983)	1% of market value on an annual basis.
Income-producing property — \$26 million; convertible mortgages — \$21 million	Commingled fund and separate accounts.	West, Southwest	\$2 million commingled fund; \$30 million separate account	5-7% real return	Commingled fund — 1.2%; Separate Account — 2% acquisition and disposition; 0.5% annual portfolio fee.

Name and address	Person to contact, phone	Total assets under real estate portfolio management (millions)	Number of pension fund real estate clients	Total pension fund real estate assets under portfolio management (millions)
MERCANTILE REALTY SERVICES P.O. Box 225415 Dallas, TX 75265	C. Ronald Capps Senior Vice President 214/698-4561	\$18	10	\$14
MERCANTILE TRUST COMPANY N.A. P.O. Box Drawer 387 St. Louis, MO 63166	Arthur C. Jones Vice President 314/425-2735	\$56.6 (\$44.2 real estate assets and profit sharing)	15	\$56.6 (\$44.2 real estate assets)
METROPOLITAN LIFE INSURANCE COMPANY One Madison Avenue New York, N.Y. 10010	John Emmanuel Assistant Vice-President 212/578-7447	\$16,000	33	\$327 (6/30/84)
HENRY S. MILLER MANAGEMENT CORP. 30th Floor, 2001 Bryan Tower Dallas, TX 75201	Mr. Cary Coker Vice President 214/748-9171	\$750	2	\$13
J.P. MORGAN INVESTMENT MANAGEMENT, INC. 9 West 57 Street New York, NY 10019	Timothy J. Heise Vice President 212/826-7330	\$1,170	158	\$803
MORGUARD INVESTMENTS LIMITED 1027 Yonge Street Toronto Ontario M4W 3E8 Canada	W.A. Houghton Sr. Vice President Investments 416/967-0880	\$1,300	150 +	\$4,000 (including mortgages)
MORGUARD REALTY ADVISORS 910 Fifth Avenue Seattle, WA 98004	Chandler H. Everett Vice President Marketing 206/623-1650	\$56	6	\$56
MUTUAL OF NEW YORK (MONY) 1740 Broadway New York, NY 10019	Wayne R. Dominguez Sales Director-Equity Real Estate 212/708-2508	\$3,000	41	\$32.5
NATIONAL LIFE OF VERMONT National Life Drive Montpelier, VT 05604	David A. Shaw National Marketing Director- National Pension Properties 802/229-3656	\$634 (12/31/83)	2	\$20 (12/31/83)

Breakdown of assets into real estate holdings	Participation offered	Geographical diversification	Minimum investment	Return on investment (net of fee)	Fee
Income-producing property — 64%; participating mortgage — 36%	Purchase of units — open at end of each quarter.	Southwest	\$100,000	13.2% (1st qtr. 1984 annualized) 15% (1984 objective)	1% per year charged to the fund.
Convertible participating mortgages — \$13.7 million; equity purchases income-producing properties — \$27.3 million; leveraged equity purchases, income-producing property — \$3.2 million.	Qualified employee benefit plans may purchase units at any monthly valuation date.	National	Investors may purchase as little as 1 unit (valued @ \$1496.70 as of 5/31/84.) The property purchase targets are \$3-\$5 million.	11.48% (1983)	1% of the market value of real estate assets, 0.75% of 1% of the market value of short-term investments.
Non-joint venture — 42%; joint venture — 27%; long-term mortgages — 18% cash and short-term — 13%	100% equity ownership; joint venture partnerships	National	\$100,000 for Separate Account RE and Tower Fund; \$1 million for Closed-End series	Varies with fund	Management fee based on value of net assets.
Income-producing property — 98%; mortgages — 1%; land 1%	Outright purchase joint venture; limited partnership	Texas and four surrounding states	\$5,000	8% and upwards	Negotiated — depends on type property and several other factors.
Income-producing property — 84%; investments in REITS — 2%; share holdings in RE Companies — 12%; fixed income securities (mortgages) — 2%	Commingled fund, separate accounts	East — 43%; South — 28%; Midwest — 19%; West — 10%	\$5 million — commingled fund	13.5% — RE Fund (1983)	On gross asset value — 1% first \$75 million; 0.8% next \$75 million; 0.6% next \$100 million and 0.5% thereafter.
Income-producing property — 32%; mortgages — 65%; property held for development — 3%	Direct participation in property assets through participating debentures	Major Canadian cities	\$1 million in property division	Annualized cumulative return of 16.5% on Morguard Property Index	Depends on extent of services performed; available on request.
Income-producing property — 50%; developmental property — 50%	Equity	West	\$1 million	Varies	1.2% first year, 1% each succeeding year, other negotiated fees.
100% income producing properties	Units in open-end account	National	\$100,000	6.90% (second quarter 1984)	1% per year on gross assets plus asset charge.
Equity-\$13 million; mortgages-\$7 million	Closed-end equity real estate separate account (Group Annuity Contract)	Sunbelt	NPP-II — \$2 million; \$20 million for separate management	NPP-1 — 16.3% (1983)	NPP-II — 1.2% per year deducted quarterly on gross real estate assets at market value, .25% per year deducted quarterly on cash and short term investments.

Name and address	Person to contact, phone	Total assets under real estate portfolio management (millions)	Number of pension fund real estate clients	Total pension fund real estate assets under portfolio management (millions)
NEW ENGLAND MUTUAL LIFE INSURANCE CO. 8 New England Executive Park Burlington, MA 01803	Charles J. Golden, Jr. Assistant Vice President 617/578-5468	\$2,935	65	\$75 +
NEW YORK LIFE INSURANCE COMPANY 51 Madison Avenue RM 904 New York, NY 10010	Thomas J. Connolly Real Estate Vice President 212/576-7437	\$32	14	\$32
NORTH CAROLINA NATIONAL BANK One NCNB Plaza Charlotte, N.C. 28255	Robert L. Reynolds Vice President	\$310	300	\$310
PACIFIC MUTUAL REALTY 700 Newport Center Drive Newport Beach, CA 92660	Pete Hammer Managing Director 714/640-3000	\$300	5	\$80
PACIFIC REALTY ADVISORS 44 Montgomery Street, Ste. 4230 San Francisco, CA 94104	James O. Goldsmith President 415/392-3665	Approx. \$100	2	\$28
VICTOR PALMIERI AND CO., INC. 2021 K Street, NW, Ste 700 Washington, DC 20006	John A. Koskinen President 202/223-8690	\$910	5	\$710
THE PECKHAM BOSTON COMPANY Four Longfellow Place Suite 3305 Boston, MA 02114	John M. Peckham III President 617/523-4440	\$30	4	\$30
PENREAL ADVISORS, LTD. 1100 Melville Street Suite 500 Vancouver, British Columbia Canada V6E 4A6	Garth Carefoot Vice President-Finance 604/685-8351	\$61	30	\$61
PSFS (THE PHILADELPHIA SAVINGS FUND SOCIETY) 1234 Market Street Philadelphia, PA 19107	Edward W. Schmid Jr. Vice President 215/636-6603	\$400	1	\$400
PHOENIX MUTUAL LIFE INSURANCE COMPANY One American Row Hartford, CT 06115	H. Russell Irving Second Vice President 203/275-5567	\$1000 (50 million in pooled accounts)	47	\$50
PROPERTY CAPITAL ADVISORS, INC. 200 Clarendon Street Boston, MA 02116	John A. Cervieri, Jr. President 617/536-8600	\$220	Approx. 25	Approx. \$150 +

Breakdown of assets into real estate holdings	Participation offered	Geographical diversification	Minimum investment	Return on investment (net of fee)	Fee
Income-producing property	Development property account equity ownership; joint ventures in equity real estate	National	\$100,000	20.6% (12 months ending 6/30/84)	1.25% of net real estate assets plus .25% of cash reserves plus \$2000 first year, \$1000 subsequent years.
General purpose commercial real estate	100% ownership	National	\$100,000	3.15% (3 mos., 1984)	1% annually on net asset value plus administrative fee
Income-producing property — 60%; development — 30%; land — 10%	Open-NCNB Real Estate Fund; Closed-NCNB Southern Property Fund I; 4 separate accounts	Southeast	\$100 million — open-end; 3 million — closed-end; \$25 million separate account	17.2%	1.2% open; 1% closed; 1.2% separate
Income-producing property — 100%	Closed-end fund — beneficial interest in group trust; individually managed portfolios — direct equity investments	West, Southwest, other selected growth areas	\$1 million — closed-end funds; \$20 million — individually managed portfolios	6% — 8% (real return objective)	Varies
Shared-appreciation mortgages for office and retail properties	Closed-end group trust, equity participation	West Coast	\$2 million	Available on request	1.27% of net value of properties
Income-producing property — \$170 million; mortgages — \$490 million; undeveloped land — \$50 million	Interests in closed end funds	U.S. and Canada	\$1 million	Preferred cash returns of 8 — 10%	1% of assets managed
Income-producing property — 100%	Direct	Continental U.S.	\$2,000,000	Varies, depending on risk	Varies/Negotiable
100% income-producing property	Pooled ownership through tax-exempt vehicle (2 funds)	Major Canadian urban centers	\$100,000	10.1% annual	Acquisition fee and portfolio management fee ½ % annually.
Income-producing property — 55%; residential properties — 45%	Participating and fixed rate mortgages	National for income property loans, Pennsylvania for residential mortgages	\$1 million	Varies	Negotiable
Income-producing property	Units	National	\$50,000	14%-15%	1%, graded down on deposits over \$1 million.
Income-producing property including office buildings, shopping centers, industrial and residential	Equity investments in major properties structured either through limited partnerships or share ownership in Property Capital Trust.	National	\$1 million	10-11% initial returns & participations	Incentive fee based upon net cash flow from the investment.

Name and address	Person to contact, phone	Total assets under real estate portfolio management (millions)	Number of pension fund real estate clients	Total pension fund real estate assets under portfolio management (millions)
PRUDENTIAL INSURANCE COMPANY OF AMERICA 19 Prudential Plaza Newark, NJ 07101	James H. Gately Vice President 201/877-3735	\$22,600 (3/31/84)	385 (3/31/84)	\$6,300 (3/31/84)
REPUBLICBANK DALLAS P.O. Box 241 Dallas, TX 75221	David J. Pittman, Sr. V.P. 214/922-6506 Neal J. Howe, Asst. V.P. 214/922-6780	\$270	23	\$50
RHODE ISLAND HOSPITAL TRUST NATIONAL BANK 1 Hospital Trust Plaza Providence, RI 02903	Dan A. Woolley Vice President/Director of Real Estate Investment 401/278-7606	\$8.5	15	\$8.5
ROSEN ASSOCIATES 333 Jericho Turnpike Jericho, NY 11753	Robert A. Rosen President 516/822-5350	\$250 +	Not reported	Not reported
THE RREEF FUNDS 650 California Street 18th Floor San Francisco, CA 94108	Paul Sack Principal 415/781-3300	\$2,500 (includes funds subscribed and firmly committed but not yet invested in real estate)	70	\$2,500 (includes funds subscribed and firmly committed but not yet invested in real estate)
SCHRODER REAL ESTATE One State Street New York, NY 10004	Charles Grossman President 212/269-6500	\$800	65	\$550
SCUDDER REALTY ADVISORS, INC. 333 So. Hope St. 37th Floor Los Angeles, CA 90071	Christopher B. Davis Vice President 213/628-1144	\$350	15	\$350
SEATTLE FIRST NATIONAL BANK P.O. Box 3586 Seattle, WA 98124	Melvin I. Brady Assistant Vice President & Sr. Real Estate Investment Officer 206/583-7343	\$226	54	\$33
SECURITY CAPITAL REAL ESTATE CORPORATION 1345 Avenue of the Americas New York, NY 10105	Lewis W. Kresch First Vice President 212/399-6505	\$650	125	\$450
THE STANDARD LIFE ASSURANCE COMPANY 1245 Sherbrooke Street West Montreal, Quebec H3G 1G3 Canada	Mr. E.G. Burrows Vice President, Property Investment 514/284-6852	\$440	120	\$35

Breakdown of assets into real estate holdings	Participation offered	Geographical diversification	Minimum investment	Return on investment (net of fee)	Fee
PRISA and PRISA II — income-producing properties; PRIMOR and MORISA — mortgages; PRACE I — closed-end fund, income-producing properties.	Units in open-end and closed-end accounts — PRISA, PRISA II, PRIMOR, MORISA, PRACE-I and PRACE—II	All accounts diversified nationally.	Varies with fund	Varies with fund	Annual fee plus supplemental fee on real property and mortgage accounts.
Income-producing property; convertible mortgage	Units or direct investment properties in open-end commingled fund.	South, Southwest	No minimum for existing clients, \$1,000,000 for new clients.	13% average annual return over 3 years	1% property acquisition and 1% management fee (annually)
Income-producing property — 100%	Not reported	Northeast, Midwest	\$10,000	11.6% (last 12 months)	1.125% of net real estate assets annually
Income-producing property	Equity or debt	National	\$100,000	Varies	Negotiable on a custom basis
Income-producing property — properties invested in real estate — \$1,557,000,000 (3/31/84) — funds subscribed and committed but not yet invested in real estate — \$943,000,000	Series of closed-end commingled real estate funds	Most major metropolitan areas	West and America series — \$1 million USA series — \$15 million	N/A	% of assets under management paid on a monthly basis
Income-producing property — 100%	Participation in commingled fund or direct investment program.	National	Flexible	15% +	Flexible
Unleveraged equities — 10% non-participating debt — 45% equity-oriented debt — 45%	Income and appreciation	National with emphasis on West, and especially California	\$2,000,000	Individual transactions require different yields.	Fee structures individually designed for each client.
Income-producing property	Open to qualified Employee Benefit Plans, including Employee choice plans.	Northwest (Washington, Oregon, California)	\$20,000.00	11.4%	1% per year charge monthly on the gross asset value of the fund.
Income-producing property — 100%	Units in commingled open-ended fund	West — 14%; South — 33%; East — 20%; Midwest — 33%	\$250,000	19.1% — 5-year; 13.5% — 1-year	Annual management fee — paid to the manager by the fund (1-11% of contributed capital), or performance fee: 25% of any cash distribution after the investor has received a cumulative annual cash return of 9%
Income-producing property only	Units in pooled real estate fund or undivided share in property.	Canada only	N/A	Varies	Depends on size of fund managed

Name and address	Person to contact, phone	Total assets under real estate portfolio management (millions)	Number of pension fund real estate clients	Total pension fund real estate assets under portfolio management (millions)
STATE STREET BANK AND TRUST COMPANY 225 Franklin Street Boston, MA 02101	Thomas P. Hogan Vice President 617/654-3222	\$52.4 (Fund I assets) \$60 (Committed for Fund II) (closing 5/31/84)	10	\$60 committed for Fund II (closing 5/31/84) \$52.4 (Fund I assets)
SUHRCO REAL ESTATE ADVISORS, INC. 10604 NE 38th Pl Ste 228 Kirkland, WA 98033-7996	Edwin C. Suhrbier President 206/828-4464	\$25 (separate account) \$50 (closed end group trust pooled fund)	1 plus trust	\$25
SUN LIFE ASSURANCE COMPANY OF CANADA 200 University Avenue Toronto Ontario M5H 3C7 Canada	Murray McBride Assistant Vice President Pensions 416/595-7808	\$207	82	\$207
TCW REALTY ADVISORS 400 South Hope Street Suite 600 Los Angeles, CA 90071-2899	Bruce L. Ludwig Senior Partner 213/683-4200	\$200	45	\$200
THIRD NATIONAL BANK Financial Services Division 201 Fourth Avenue, North Nashville, TN 37244	R. Stephen Iler or Robert Power Investment Manager, Real Estate 615/748-5132	\$96	84	\$18

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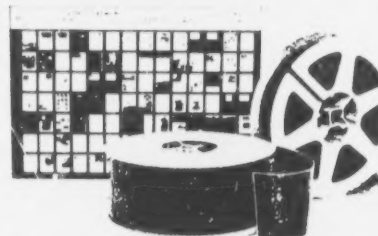
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Breakdown of assets into real estate holdings	Participation offered	Geographical diversification	Minimum investment	Return on investment (net of fee)	Fee
Income-producing property — 36%; mortgages — 64%	Units of closed-end commingled pooled funds, for pension assets only	Florida, Texas, Hawaii, California, Pennsylvania	\$5 million	11.32% (1983) 14.31% (1st qtr. 1984)	.75% on real estate investments; .15% on short-term investments
Income-producing property — shopping centers, residential apartment, suburban office, light industrial	Pooled fund, group trust, separately managed account, direct accounts	Northwest, West Coast	\$100,000 (2 units \$50,000)	Varies	1.2% group trust — closed-end fund .5%—1.75% separate accounts depending on size
Income-producing property — \$160 million; mortgages — \$147 million	Units in open pooled fund	Canada	250,000	11.6% (1983); 10.8% (1982)	.6% first \$2 million, .45% next \$3 million, .3% next \$5 million, .2% next \$15 million, .1% excess, plus real estate servicing fee of .75%
Income-producing property \$200 million	Closed-end funds; separate account	National	\$20 million — separate account \$1, million — closed-end fund	Not available	1.2 invested capital plus 10% after cumulative return of 10% annually. Investments valued at cost, not appraisal.
Income-producing property — equity and convertible mortgages	Units in fund and direct ownership	Primary emphasis in Southeast U.S.	\$60,000	Varies with account (fund targets 15% IRR)	1% of market value



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Name and address	Person to contact, phone	Total assets under real estate portfolio management (millions)	Number of pension fund real estate clients	Total pension fund real estate assets under portfolio management (millions)
THE TRAVELERS One Tower Square Hartford, CT 06115	Thomas E. Keating Vice President 203/277-7777	\$10,021 (3-31-84)	177	\$5,471.8 (3-31-84)
UNITED VIRGINIA BANK P.O. Box 26665 Richmond, VA 23261	Lucy B. Lewis New Business Officer 804/782-7405	\$20	131	\$20
WACHOVIA BANK & TRUST COMPANY, N.A. Post Office Box 3099 Winston-Salem, NC 27102	Nicholas L. Verano III Vice President 919/748-5906	\$865	300	\$565
WELLS FARGO REALTY ADVISORS 600 Montgomery Street, 29th Floor San Francisco, CA 94111	J. Michael Johnson Vice President, Director of Marketing 415/396-5232	\$1,735	145	\$190
WESTMINSTER COMPANY Box 13197 Greensboro, NC 27405	Charles S. Wilkins, Jr. Vice President - Property Management 919/275-0972	\$150	2	\$3

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(312) 346-9172

BOSTON

Contact Evan Weston
One Post Office Sq., Suite 3510, Boston, MA 02109
(617) 542-5920

DIVIDENDS EACH YEAR SINCE 1912

The Board of Directors of ENSERCH Corporation on July 26, 1984, declared a regular quarterly dividend of 40 cents per share of common stock, payable September 4, 1984, to shareholders of record August 17, 1984.

For additional information, please write to Benjamin A. Brown, Vice President, Financial Relations, Dept. G, ENSERCH Center, Box 999, Dallas, Texas 75221.

ENSERCH
CORPORATION

Breakdown of assets into real estate holdings	Participation offered	Geographical diversification	Minimum investment	Return on investment (net of fee)	Fee
Income-producing property; \$621.6 million (3-31-84); mortgages — \$4,850.2 million (3-31-84)	Open- and closed-end fund, individual accounts.	National	\$100,000 SA-R, \$1 million SA-T	SA-R (Equity) — 11.77%; SA-R (Balanced) — 11.34%; SA-R (Debt) 11.06%	Separate Account "R" — 1% flat, all inclusive fee, Separate Account "T" — 1.25% flat, all inclusive fee.
Income producing property — 10 million; marketable real estate investments — \$6 million; temporary cash equivalent — \$9.5 million	Units of \$1262.86; open-ended	Southeast	\$1262.86 (1 unit)	12.2% (12/31/83)	1% per year of real estate held by fund; .375% of cash
Rental property — 49%; joint ventures — 16%; developable land — 35%	Participation in the pooled fund or individually managed portfolio	South — 12%; West — 54%; Midwest — 34%	\$100,000	8.5% (1983)	1.125% on real estate assets, .25% on cash equivalents
Income-producing office, industrial, and retail properties through direct ownership positions or equity-oriented mortgages	Commingled funds (both open-and closed-end) and client specific separately managed portfolios.	West and Sun Belt	\$1,000,000	6% to 10% real returns dependent upon risk.	1.00% to 1.25% of net assets
Income-producing property — 100%	Outright sale, pre-sale, joint venture, mortgages	North and South Carolina, Las Vegas	N/A	9% to 11% first year	3% — 4% depending on management requirements and size of property

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InterFirst Invests with
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1984 Retirement Equity Act Changes the Rules

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Cover: A fanciful interpretation of Southwestern-style investing flavors our cover. Photo by Bill Coker. Our investment manager profile of InterFirst Bank Dallas and InterFirst Investment Management begins on page 32.

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Perspective On Investments

More plans are addressing the real rate of return issue

A recent column suggested that once the liquidity and diversification requirements of an employee benefit plan portfolio have been assured, the next priority becomes *producing a real rate of return*. To outdistance the inflation rate, the portfolio must emphasize those classes of assets having inherent characteristics which best exploit the evolving price environment. After establishing the outlook for future price levels, strategic redeployment of the assets can be made to capitalize on cyclical returns from the classes which will far outweigh the returns from the specific security positions themselves.

More and more plans are addressing the real rate of return issue. The rationale for adopting such an objective is reflected in the following paragraphs lifted from a plan's Statement of Investment Policy:

"To protect against unanticipated periods of hyperinflation, inflation, disinflation, and deflation, and the resultant disruption to orderly financial markets that these price changes cause, the pension plan portfolio is fully diversified.

"The portfolio includes both financial and tangible assets, actively and passively supervised, in varying allocations from time to time with the objective to add real value to the portfolio over time. The overall goal of the fund is to preserve capital and achieve capital enhancement measured on a real basis.

"As an investor in, and lender to, corporate America, it is deemed reasonable to expect that the portfolio over time should receive its fair share of the economy's real growth. Thus, the overall performance objective is to achieve a real rate of return over the long term that is comparable to the real

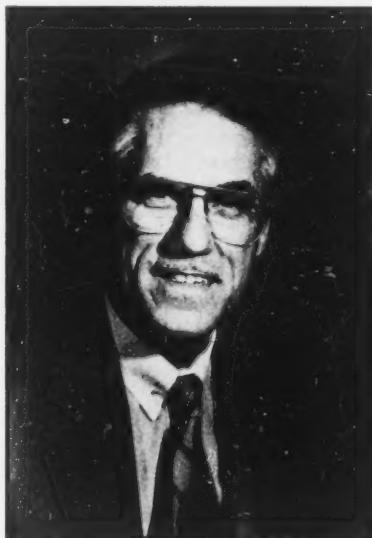
growth in GNP, anticipated to approximate 3 percent per year."

Some years ago, Undersecretary of Treasury for Monetary Affairs, Dr. Beryl W. Sprinkel described in his book, *Winning With Money*, how the different classes of assets performed on a real basis in varying price environments. His research indicates that during periods of rising inflation, farmland, silver, housing and common stocks did well and commercial paper and bonds performed poorly. Conversely, during disinflationary periods, bonds and commercial paper did well, with farmland and silver performing poorly. In the hoped-for "Utopia" period of stable in-

flation, most classes do well, with common stocks outdistancing all others.

The underlying reason that financial assets respond as they do to changing price levels is because the investment community prices them on the basis of the discounted present value of their future financial flows. The change in the discount rate is to a large measure influenced by the inflation rate. Thus as prices rise, including the cost of money (interest rates), a higher discount rate is used which lowers the present value of the underlying assets. This discounting mechanism affects common stock as well as fixed income securities. Tangible (non-monetary) assets are also affected by changes in prices. Increased prices raise the cost of replacing those assets and decreased prices make possible the replacement of asset at a lower cost. Equity real estate as a class has characteristics which are both financial (leases) and tangible (bricks and mortar) in nature, permitting it, in general, to be relatively less volatile in price during inflation cycles.

When should the portfolio be tilted toward a preponderance of financial assets? When should tangible assets be emphasized? Robert Salomon, Jr., of Salomon Bros., believes factors favorable to increasing values in financial assets are increasing confidence in money (i.e., declining inflation rate), reduced government intervention in the private sector, sustained economic growth, improving productivity, political stability and an economy favoring savings and investment. Conversely, factors favorable to an increase in value in tangible assets are an escalating rate of inflation, rising taxes, increasing government regulation, political in-



by **EUGENE B. BURROUGHS**

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stability, an economy favoring consumption and fear of personal harm.

In retrospect, then, it is no wonder the bond and stock markets rallied so significantly in the summer of 1982. All the necessary ingredients were in place to produce a favorable environment for financial assets. Belatedly, and in a show of "group think," the investing public realized that the trend of disinflation was well entrenched, "privatization" of economic activities was being legislatively and administratively promoted, the economy was improving, wage "give-ups" were taking place and savings incentives (IRA's, etc.) were being embraced by the consumer.

Conversely, are we now prospectively facing an environment which includes the factors favorable to an increase in value in tangible assets? Most would agree that inflation will accelerate and taxes will have to be raised to offset the budget deficit; some would suggest that deregulation has gone too far in certain industries and the economy may top out soon. Labor unions are getting restless after observing the recent

rise in corporate profits and executive compensation, and the consumer feels better about personal spending due to the significant increase in the employment figures.

Hopefully, all of these trends will not converge simultaneously. Maybe this time we'll have a mixture of influences which will result in *both* financial assets *and* tangible assets performing relatively and moderately well.

Have the classes performed recently as the longer term historical experience would suggest? According to Salomon Bros., for the fifteen years ended May 31, 1984 (a period of relatively high inflation), returns from the various classes were as follows:

Rank	15 Years
1. Oil	20.4%
2. Coins	17.3
3. Gold	16.3
4. U.S. Stamps	16.1
5. Chinese Ceramics	13.7
6. Silver	11.7
7. Diamonds	10.4
8. Farmland	9.6
9. Treasury Bills	9.0
10. Old Masters	8.5
11. Housing	8.5
12. CPI (Consumer Price Index)	7.2
13. Bonds	5.7
14. Stocks	5.3
15. Foreign Exchange	3.0

Thus, true to historical experience, tangible (non-monetary) assets outperformed inflation, and financial assets underperformed the CPI.

The current phenomenon of high nominal interest rates *and* low inflation rates may be presenting a "window of opportunity" to investment portfolios that may be short-lived. With the high nominal rates possibly dampening the level of economic activity, and thus inflationary pressures, tax-exempt pools are enjoying the best of both worlds, i.e., high interest rates and low inflation rates. Perhaps it is simply the fixed income investor's turn to realize an acceptable real rate of return, since accomplishing this has been so elusive during the past decade.

Whatever the reasons for interest rates remaining so high in light of the lower inflation, it is obvious that the investing public is not overly tempted by any so-called "window of opportunity" of the relatively high real rates of current return. They are simply not buying

it; maybe it's because they have looked over their shoulders at the past record of fixed income investing. Although the purchase of higher dividend stocks and well conceived, well located, well managed income-producing real estate has been an effective means to produce real rates of return, holding long-term fixed income securities has unfortunately extracted a real principal toll which has offset the value of clipping interest coupons. According to the Ibbotson/Sinquefeld studies, for the fifty years ended December 31, 1983, long-term government bonds produced +3.3 percent per year, long-term corporate bonds +3.9 percent per year, while inflation averaged +4.2 percent per year. Thus, these classes produced negative real rates of return over the measured period. In fact, except for holding periods in the mid-thirties to early forties, mid-fifties to early sixties, and 1982-1983, it would have been difficult to produce any positive real rates of return by holding long-term governments. Thus, a review of the historical record causes analysis of the current period of extraordinarily high real rates of interest to question whether these rates represent a "once in a lifetime" buying opportunity, or just another bond market "bear trap." Maybe those who are hedging against an uncertain future through purchasing variable rate notes are taking the more prudent course.

In our search for value, we will always face the challenge of identifying those emerging actions which will most influence the prices of our portfolio holdings in the future. As managers of risk, we need to keep our eye on the rearview mirror, learning from the past, primarily for the purpose of evaluating the present, and constructively exploiting the future. Our perception of the evolving economic/political/social environment is important to the development of convictions about the future level of prices. Acting upon this conviction we can then, hopefully, tilt our portfolio toward investment success. In a subsequent column we shall discuss the "tilting process" and various ways we may add incremental return to the portfolio. Such return enhancement may just be enough to attain our quest for the elusive *real rate of return!* □

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